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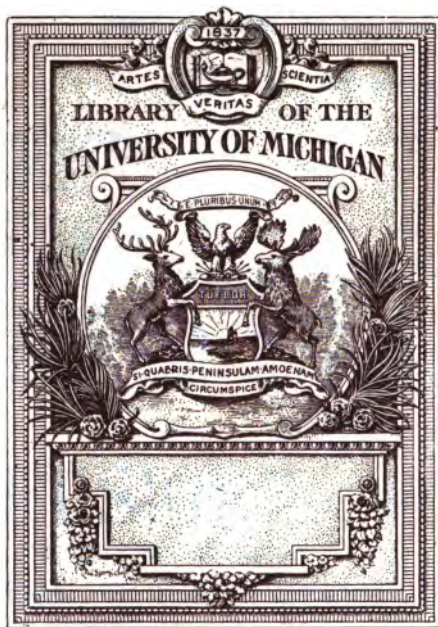
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## EDITOR'S PREFACE.

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THE object of the series of handbooks that will be published under heading of THE ACCOUNTANTS' LIBRARY is to provide, at a reasonable price, detailed information as to the most approved methods of keeping accounts in relation to all the leading classes of industry whose books call for more or less specialised treatment. No such series has hitherto been attempted; but there exist, of course, numerous separate works dealing with the accounts of one particular class of undertaking. These separate works are, however, for the most part either too expensive, or too superficial to answer the purpose that is particularly aimed at by THE ACCOUNTANTS' LIBRARY which is intended to supply the student with that specialised information which he may require, while at the same time affording to the trader, banker, or manufacturer who is not in a position to secure the fullest information for his purpose, knowledge which can hardly fail to be of the very greatest assistance to him in the correct keeping of his accounts, upon a system specially adapted to his requirements, and therefore involving a minimum expenditure of labour. It is expected that the series will also be found of material assistance to book-keepers of all classes.

Without aiming at giving an exhaustive account of the manner in which each separate business is conducted, the technical points in connection with each industry will receive as much attention as is necessary in order fully to elucidate the system of accounts advocated, while each volume will be the work of one who has made that particular class of accounts more or less

a speciality. It is obvious, however, that to enable the necessary ground to be covered in the space available, it is incumbent to assume upon the part of the reader a certain knowledge of general bookkeeping. The extent of the knowledge assumed will vary according to the nature of the class of accounts considered. For example, in the volumes on "Bank Accounts" and "Shipping Accounts" a thorough acquaintance with ordinary double-entry bookkeeping is not unnaturally assumed; but in the case, for instance, of "Auctioneers' Accounts," "Domestic Tradesmen's Accounts," and other similar volumes, such explanations are included as will enable the ordinarily intelligent reader fully to grasp the methods described even although his knowledge of bookkeeping may be of an elementary description. These explanations are, doubtless, superfluous as far as accountants are concerned, but are necessary to make the volumes of value to the majority of those specially engaged in these particular industries.

To subscribers for the whole series it may be added that, when completed, it will form a most valuable and practically complete library, dealing, at the hands of specialists, with practically every class of accounts, and illustrating the application of the theory of double-entry as described in general works on bookkeeping.

In order to carry out this scheme, arrangements have already been completed for books dealing with the following subjects:—

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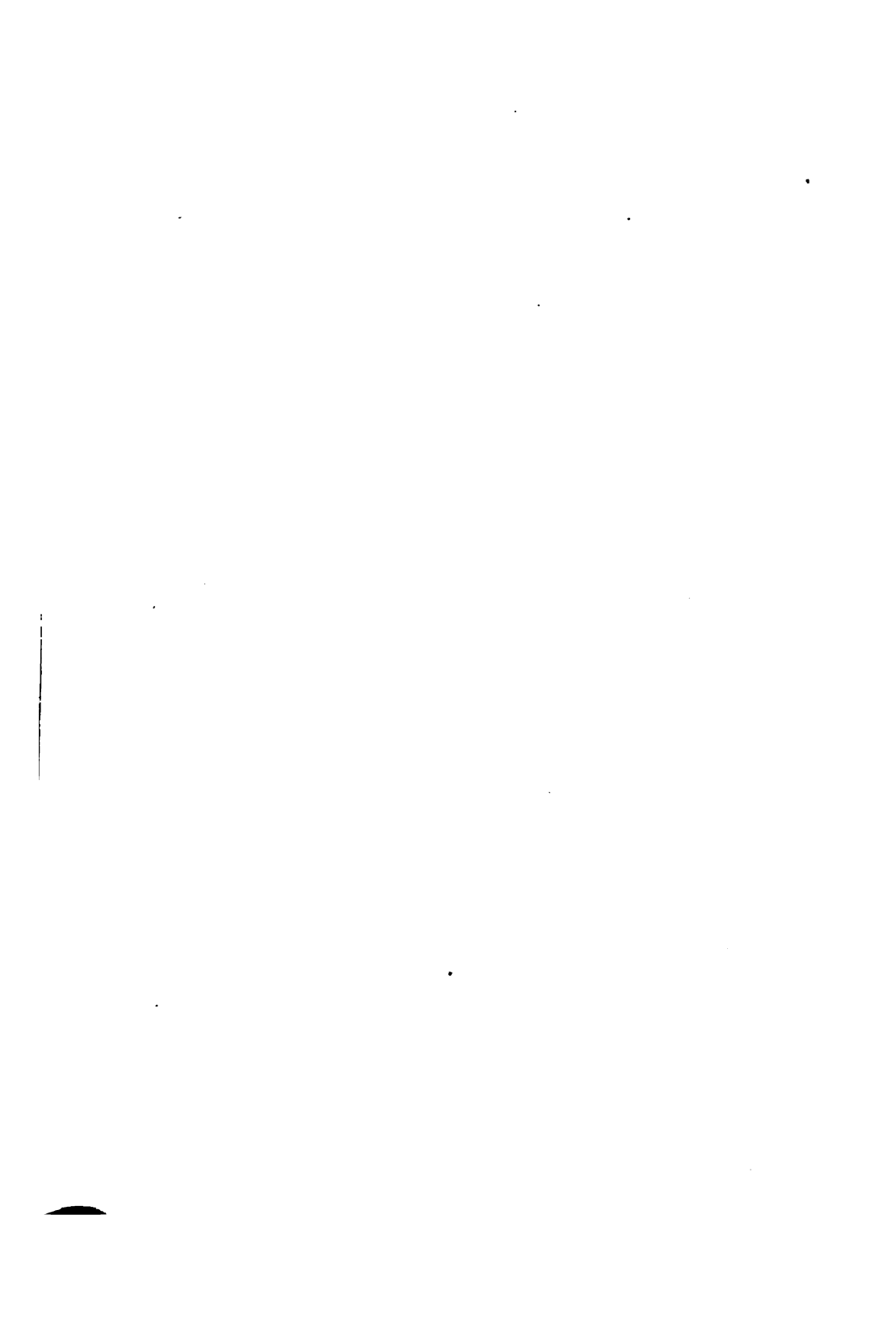
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<i>Printers' Accounts.</i>	<i>Wine Merchants' Accounts.</i>

Arrangements for dealing with other subjects are now in progress, and the Editor wishes to add that he will be glad to receive suggestions and offers from accountants of experience for the undertaking of volumes not yet announced.

62 Moorgate Street,  
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*September 1901.*



## INTRODUCTION.

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AS this system of bookkeeping is intended to meet the requirements of those engaged in agricultural pursuits an endeavour has been made to observe two conditions, both of which are, it is believed, quite essential to its acceptance. The first is that it must be as brief in its nature as possible; the second is that it must be free from complications, and therefore easily understood and carried out.

In order to comply with the first condition, only two books of account are suggested, viz. :—

(1) A Cash Book, which is ruled to embrace both “Cash” and “Bank” transactions—viz., the “Receipts” and “Payments” (forming the “Cash” transactions), and the amounts “paid into” and “drawn from” Bank (forming the “Bank” transactions). Analysis columns are provided for the dissection of both Receipts and Payments.

(2) A Tabular Ledger, which is entered up annually, and in which columns are provided for (a) the Capital Account; (b) Accounts for Plant, Machinery, and other items of Capital Outlay; (c) a Profit and Loss Account.

This system departs from the orthodox method of dealing with Purchases and Sales—*i.e.*, through Invoice Books and Sales Day Books, and thence through “Bought and Sold” Ledgers—and, instead, relies upon the Cash Book, with the Debits and Credits at the close of the year, to provide the necessary information; and, as farm transactions are generally of a cash nature, the said Debits and

Credits should be very few, and easily ascertained. From experience the author is convinced that the agricultural community will not, for some years to come, be prepared to devote a really adequate amount of time and attention to accountancy. When its importance is fully appreciated there may be scope for a more detailed handbook upon Agricultural Accounts, but in the meanwhile it is thought that a more abbreviated form of bookkeeping—such as that herein described—is more likely to prove acceptable.

The sales are almost invariably for prompt cash—the live stock and produce being generally sold in open market ; and the only occasion where credit is given occurs in the Dairy Produce Department, which sometimes sells on credit to regular customers. Purchases are mostly of a cash character, and where credit is taken it is invariably on a small scale, and it is an easy matter to use an Invoice Book (see specimen on page 5), which enables the liabilities to sundry creditors to be quickly and accurately ascertained.

The second condition aimed at is that the system may be easily understood and carried out, by reason of its being free from complications ; and for the fulfilment of this the “ Analysis ” form of Cash Book and the “ Tabular ” form of Ledger are arranged. Throughout the year the Cash Book only is in use, and upon its being closed at the end of the period the totals of its Analysis columns are carried into the Ledger, which then comes into play for the purpose of summarising and adjusting the year’s work. At the inauguration of this system it is necessary to take a complete account of all assets and liabilities at that particular time, and at the close of the first and each succeeding year a valuation of the live and dead farming stock (not including capital outlay) has to be made, and an account taken of all debts owing to and by the farm (which latter work cannot be too carefully carried out).

It is necessary that an account should be kept of all farm produce which is consumed in the house—*i.e.*, Butter, Milk, Bacon, &c.—in order to adjust the farm profits and private expenditure.

Part I. of this book deals with the accounts of the farm as a whole, showing the profit or loss made in *one amount*, and does not attempt to ascertain how the result has been contributed to by the various departments.

Some persons may wish to know how much profit or loss they have made on the whole, and be content with this information; whilst others may desire to know how each of the several departments of the farm has contributed to the known result. It is with this idea in mind that I have divided this book into two parts.

Part I. is complete in itself, and provides a Profit and Loss Account and a Balance Sheet, but does not show the result of each department.

Part II. goes a step further, and by means of Departmental Accounts for (1) Cattle, (2) Sheep, (3) Pigs, (4) Arable and Feeding Stuffs, (5) Hops, (6) Pasture and Orchard, (7) Dairy and Poultry, (8) Sundries, divides the profit and loss, as shown by Part I., amongst these branches of the farming, and, needless to say, the proprietor is greatly benefited by the additional information obtained. To carry out this system of Departmental Accounts it is necessary to dissect the distribution of Corn, Cake, Fodder, Roots, &c., to dissect the Wages, and in other ways to divide up the items on the *Dr.*, or "loss," side of the "general" Profit and Loss Account, and the items on the *Cr.*, or "profit," side also, amongst the branches engaged in. The additional clerical work involved is not very arduous, and is more than outweighed by the great advantage which is gained by those who adopt such a system. It only means an hour or two of extra work once a

week in taking over and analysing the workmen's Time Sheets and Memo. Books, and entering up the result into books, which will be explained on a later page. The benefits to be obtained from a knowledge of how much "Profit" or "Loss" results from each department are very considerable, amongst them being the following:—

(1) The farmer's *estimate* of profits of each branch can be compared with the actual result.

(2) Experience is gained at a much quicker rate and without having to pay so dearly for it, a few years with Departmental Accounts being equal in that respect to a much larger number of years where none such are used.

(3) The results of the best paying departments are definitely disclosed, and they can be pushed more strongly; whilst those that do not pay, or lose money, can be curtailed as much as possible.

(4) A guide is afforded as to the price to be asked upon selling in order to secure a certain amount of profit.

It is said a man should guide his private expenditure by the three following rules:—

(1) If his income (business and otherwise) exceeds his private expenditure, he is living wisely and with an eye to a comfortable old age.

(2) If his income is equal to his private expenditure, he is living in an unwise manner, and making no provision for the uncertainties of the future.

(3) If his private expenditure exceeds his income, he is in a bad financial condition, and nothing but a searching examination into the causes thereof, and an effort to remedy them, can prevent his sooner or later coming to the end of his resources.



Unless the amount of a person's profits are known to him, it is impossible for him to guide his private expenditure thereby, and, consequently, he cannot safeguard his interests by following rule No. 1 until he has adopted a system of accounts which will at least provide him yearly with a Profit and Loss Account and a Balance Sheet, in the latter of which his liabilities and assets will be stated under their several headings.

It is essential to know the result of one's business, and it is invaluable (though not essential) to know exactly how that result is obtained. Therefore it is recommended that Part I. be first studied; and, when that is understood, and it is felt that, at the expense of a little more time and trouble, a knowledge of how each department works out is desirable, then attention should be given to Part II.

In other businesses, where the quantity of work done is no greater than in "farming," it is usual to find that the accountancy department is not the least important. The agricultural community, feeling the keenness of competition as strongly as it now does, should take this analogy to heart, and learn to duly appreciate the value of a guide which would keep the moving spirit of the concern in touch with its results, enable him to calculate more closely his estimates of transactions, and provide him with a means of comparing such estimates with proved conclusions.



# AGRICULTURAL ACCOUNTS.

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## PART I

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### ERRATA.

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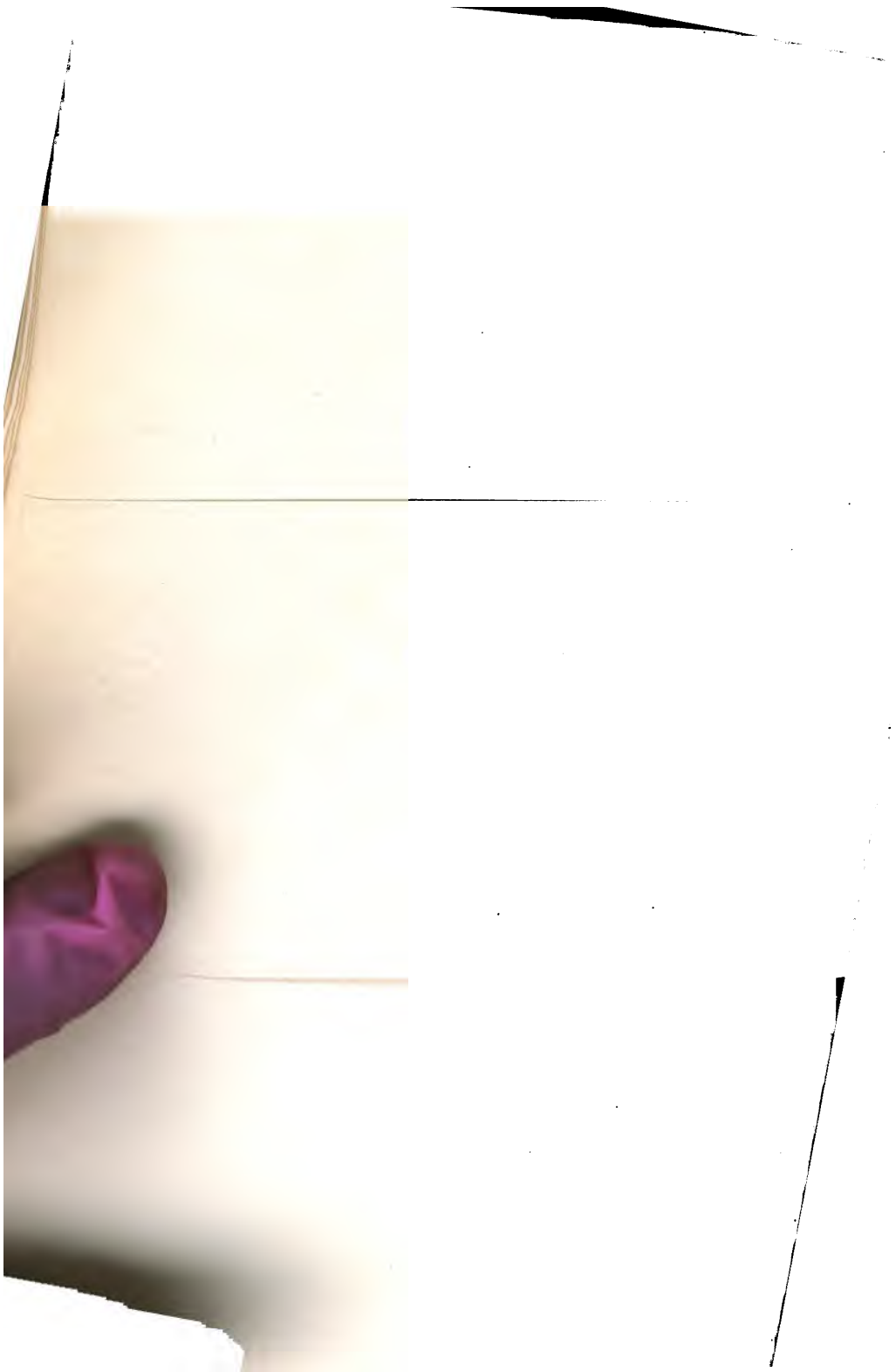
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(2) To collect these records so as to present them to his mind in as clear and methodical a form as possible.

Thus he ascertains the actual result of his transactions instead of forming an estimate of them, which would have been a very uncertain and unreliable proceeding.

“Necessity is the mother of invention”; as the commerce of the world has increased from century to century, and in these days so considerably that the yearly advances are extremely



# AGRICULTURAL ACCOUNTS.

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## PART I.

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### I.

As the subject to be dealt with throughout these pages is "Bookkeeping," it is advisable to commence by describing what it is, and what advantages it offers to those who take it up. It may be defined as "The science of recording transactions in books in a comprehensible manner, and with a view to their being ultimately focussed for presentation in a condensed form." If a man depends upon his mind alone for a judgment of the result of a year's business, it is probable that he will find a discrepancy should the actual figures be forthcoming, and it is the object of Bookkeeping to—

(1) Record his dealings with a view to their being summarised.

(2) To collect these records so as to present them to his mind in as clear and methodical a form as possible.

Thus he ascertains the actual result of his transactions instead of forming an estimate of them, which would have been a very uncertain and unreliable proceeding.

"Necessity is the mother of invention"; as the commerce of the world has increased from century to century, and in these days so considerably that the yearly advances are extremely

large, so it has become necessary to improve upon the early voluminous forms of bookkeeping, which have involved too much clerical labour, and provide better arranged and more condensed systems, which would be able to keep pace with the requirements of the present day. Without the assistance of accountancy in a very advanced form, by which the cost of the wares manufactured can be calculated and proved, the manufacturer would be unable to compete on account of not knowing how to do so at the smallest margin of profit and with safety, and would, therefore, have to fail in his attempt to exist as a manufacturer.

Retailers—I refer more particularly to the larger businesses—generally use a form of bookkeeping whereby they may at regular intervals ascertain their profits, losses, and the explanations of same, and the agricultural portion of the population of this country are as much dependent upon the use of accountancy as the manufacturer or the “middle-man.” It is doubtful, however, if this fact is quite appreciated, although, in face of the fluctuations in market prices, and the fact that most farms have their good and bad points, which ought to be ascertained as quickly as possible, it seems obvious that to face such difficulties the farmer must know exactly what he is doing, and on no account should he be content with an “estimate” of profits.

One of the principal points militating against the general adoption of bookkeeping in and amongst the agricultural community has always been the amount of clerical labour involved, and, unless this is reduced to as low a point as possible, I am convinced that the success obtained by any system offered to them will be limited; but when once a farmer commences to use proper accounts he seldom afterwards ceases to keep them until he gives up business. The main principle underlying all systems of Bookkeeping promulgated in the present day is

known by the name of "Double Entry," and this has for its leading feature the recognition of the dual effect of every transaction—viz., the transfer "from one person or account to another person or account" of goods or money.

"Double-entry" Bookkeeping has for its aim the recording of these transactions (or transfers, as they really are) by a two-fold entry. One portion referring to the account *from* which the goods or money come; the other portion referring to the account which *receives* the money or goods.

To make this principle plain take the case (in miniature) of a person called X., and who enters into business and opens a Bank Account (separate) for the purpose. He pays in £20 to the credit of the new concern; the bank receives £20. X. pays £20, therefore—

(1) Bank (receiver) is *Dr.* £20, X. (payer) is *Cr.* £20. These are the opening entries which start the business books.

(2) X. then buys five sheep from B. (at £2 each) for £10. X. (receiver) is *Dr.* £10, B. (from whom the stock comes) is *Cr.* £10.

(3) X. then draws a cheque on Bank in favour of B for £10, and in settlement B. is *Dr.* £10, Bank (which pays) *Cr.* £10.

The result of these transactions, which the reader will see are really transfers, is as follows:—

TRIAL BALANCE.											
<i>Dr.</i>						<i>Cr.</i>					
			£	s	d.				£	s	d.
1.—Bank .. ..			20	0	0	X. (Capital Account)			20	0	0
2.—X. (Purchase Account) .. ..			10	0	0	B. (5 Sheep) .. ..			10	0	0
3.—B. (Cheque) .. ..			10	0	0	Bank .. ..			10	0	0
			<u>£40 0 0</u>						<u>£40 0 0</u>		

Accounts are divided into three classes :—

- (1) *Real*.—Referring to Property, Cash, Plant, &c.
- (2) *Nominal*.—Accounts of Profit and Loss.
- (3) *Personal*.—Accounts with individuals.

This is mentioned in order to explain that in this system it is proposed to leave *Personal Accounts* out of the question altogether (see lines drawn through B.'s account), and the results, as below, will not be affected :—

		TRIAL BALANCE.					
		<i>Dr.</i>				<i>Cr.</i>	
		£ s d				£ s d	
1.—Bank	..	..	20 0 0	Bank	..	..	10 0 0
2.—X., Purchases	..	..	10 0 0	X., Capital	..	..	20 0 0
		<u>£30 0 0</u>				<u>£30 0 0</u>	

In order to open Personal Accounts—viz., an account with each person to whom stock is sold and each person from whom goods, &c., are purchased—it is necessary to use Sales Day Books, Purchases Day Books, and Invoice Books; and this is the clerical labour which it is wished to avoid, relying upon the Cash Book, and the bringing in of outstandings *Dr.* and *Cr.* at the close of each year to answer the purpose.

Everything depends upon the care which is taken to account for these amounts owing to and by the business at the end of each year, but there should be no difficulty in arriving at what is owing to the business, as sales are almost entirely “cash-on-delivery” transactions.

If credit is taken at all extensively for goods purchased, which is very unlikely, it is advisable to adopt a book ruled as follows :—



INVOICE BOOK.

Date of Invoice,	Name of Creditor	No. of Invoice	Amount	Date when paid
			£ s d	
1900 Feb. 3	John Jones .. ..	5	7 15 0	{ £4 12 6, Feb. 12, 1900 3 2 6, Mar. 5, 1900
	A. Brown .. ..	6	16 5 0	16 5 0, Mar. 12, 1900
	Landlord (for Rent) ..	7	187 10 0	187 10 0, Apr. 30, 1900
	A. Thomas .. ..	8	30 0 0	30 0 0, Apr. 12, 1900
" 12	R. Brown (Cake) ..	9	13 5 0	....

The amounts unpaid at the close of the year would appear in this book as outstanding, and the possibility of omissions occurring is therefore reduced to a minimum.

This book is used as a record of invoices, each one being entered as received and then numbered (see column for number of invoice) and filed; when paid, the date of payment should be entered from the Cash Book. If this is strictly carried out there is no fear of failing to produce a correct list of creditors at the close of the year. Blacksmiths', Saddlers', Corn Merchants', and Ironmongers' Accounts should be particularly noted, as the period from January 1 to February 2 1900 (the end of the business year) is apt to be missed, the bill containing the items not being sent in till March 31 probably.

If the reader will refer to the miniature Trial Balance (*vide* page 4) he will see that the liabilities (or *Crs.*) are £30, and assets (or *Drs.*) £30, both sides being equal, and, as every entry will be dealt with in the same manner as these have been (only in total), the liabilities and assets at the close of the year will be equal also. This is the principle which I ask the reader to follow with care—every transaction will consist of a *Dr.* and a *Cr.* for the amount involved, and, consequently, the items on the debit side (*Dr.*) and on the credit side (*Cr.*) must be in agreement whenever the books are closed; if they do not so agree, some clerical inaccuracy must have occurred.

## II.

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OPENING ENTRIES.

HAVING endeavoured to briefly introduce Bookkeeping and the principles upon which the Double-entry system is based—viz., as recording the double effect of transactions—it is proposed to proceed to take as an example the affairs of X., who occupies a farm of 300 acres in the county of Hereford (150 arable, including  $5\frac{1}{2}$  hop plantation, and 150 pasture and orcharding). His taking is a Candlemas one, and therefore his financial year should commence on February 3rd. He has up to now depended upon his Bank Pass Book to show him how his business is progressing, and he has kept no accounts other than a few books containing memoranda, which he has never entered up in a form which would give him solid information; but he has now become very dissatisfied with this state of things, and has determined that from February 3 1900 he will adopt a system which will provide him with a Profit and Loss Account and Balance Sheet on February 2 1901.

Having arrived at this decision, he consults an accountant, asking particularly that, in advising him, he (the accountant) will bear in mind that the clerical work required should be as light as possible. This results in the system dealt with in the following pages.

## OPENING ENTRIES.

A builder must obtain a foundation for the house he is about to build before he can raise the structure; he must excavate until he finds a substance reliable enough to act as a foundation, and to hold it against winds and floods, &c. A system of Book-

keeping requires a foundation also, upon which the figures of the future may rest so evenly that when the time arrives to balance them—viz., to agree the *Dr.* and *Cr.* sides—no difficulty will be experienced. Therefore, in the case of X., it is necessary to procure a statement of his liabilities and assets on February 2 1900—the last day of the old year—so that a commencement may be made on February 3 1900 with the actual amounts owing to and by him, and his Farm Live and Dead Stock, Machinery, Implements, and Tenant Right.

This Inventory of Liabilities and Assets should be made in a book ruled as follows:—(1) The Article or Debt; (2) Quantity or Name; (3) Rate per ton; (4) Amount of Valuation of Stock, Debits, and Credits. And these inventories should be carefully preserved for future reference; they will be valuable and useful at the close of the year to check the Plant, Machinery, Implements, &c., and so disclose the loss of any of these properties should such loss occur. The result of the Inventory and Valuation is as follows:—

## BALANCE SHEET, 2nd February 1900.

[illegible]

This is called the "Opening Balance Sheet," forming the basis upon which the accounts are built, and from it the books, which will be used in recording the work of the farm, are opened. As already mentioned, they are:—(1) Cash Book; (2) Tabular Ledger. To make the opening entries the assets (or debits) will be entered on the *Dr.*, or left-hand, side of these books, and the liabilities (or credits) on the *Cr.*, or right-hand, side, and I give below particulars of how each item is entered up:—

<i>Assets.</i>				
	£	s	d	
Cash in hand .. ..	10	6	8	In " <i>Dr.</i> Cash" column of Cash Book.
„ at Bank .. ..	132	11	0	In " <i>Dr.</i> Bank" column of Cash Book.
Sundry Debtors .. ..	54	0	0	All these items are carried direct to the "Tabular Ledger Accounts," and are not again dealt with until the close of the year.
Machinery and Fixed Plant .. ..	145	0	0	
Implements, Casks, and Loose Plant .. ..	186	7	0	
Hop-poles .. ..	64	8	0	
Dairy Utensils .. ..	15	0	0	
Live Stock .. ..	1,553	10	0	See page 55 (Sheet "B") for explanation.
Corn, Fodder, &c. .. ..	296	0	0	
Unex. Manures, Hop Roots, &c. .. ..	158	15	0	

<i>Liabilities.</i>				
	£	s	d	
Sundry Creditors .. ..	245	0	0	Carried direct to <i>Cr.</i> side of Tabular Ledger. See page 55.
X's Capital .. ..	2,370	17	8	Do. do. do.

The carrying out of the above entries will open the accounts by placing items value £2,615 17s. 8d. on the *Dr.* side (the Cash Book and Ledger form the "two parts" of the "whole"),

and an equal amount on the *Cr.* side, therefore, if all transactions are dealt with by double entry (as they will be) the two sides must be found equal when the accounts are balanced (*i.e.*, the *Dr.* and *Cr.* sides agreed) at the close of the year. Pages 27 and 28 explain in the most condensed form how this result works out, and if the reader will study the form upon that page, together with these opening entries, he will, I think, obtain a clear insight into the double-entry principle. It is easier to understand the arrangement of totals than to follow the detailed working, and, in order to enable the reader to be more certain of quite understanding the system upon which the accounts are based, the whole work of the year is shown in summarised form upon the page mentioned.

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III.

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THE books have been opened from the Balance Sheet upon page 7, and upon February 3 1900 the year, which X. has marked by turning over a new leaf, has commenced. The Cash Book contains the opening balances of cash "in hand" and "at bank," the Tabular Ledger contains all the other items. The reader will more easily follow the following explanations by using the examples on Sheet "A," opposite page 54.

The books, as before mentioned, are—

No. 1. Cash Book.

No. 2. Tabular Ledger.

No. 1 is the book which is always in use, and contains the complete cash and bank entries, No. 2 being only called into request once in each year—viz., at balancing time.

**Cash Book.—**

This is arranged to contain :—

(a) 1. The account of X.'s cash transactions in two columns.

The column on the left (or *Dr.*) side called "*Dr.* Cash," in which all receipts are entered.

2. The column on the right (or *Cr.*) side, called "*Cr.* Cash," in which all *cash* payments are entered.

Thus, at any time if the column *Cr.* Cash is deducted from the *Dr.* Cash column, the result should agree with the cash then in X.'s hands.

(b) The account of X.'s transactions with his bankers is contained in two columns, *i.e.* :—

"*Dr.* Bank," in which all payments into bank are entered.

"*Cr.* Bank," in which all cheques or Bank Charges are entered.

The difference between these two columns should represent the balance "at bank" or "due to bank," as per the Bank Pass Book, after the cheques uncleared have been considered, and this should be tested at least once a month in the following manner :—

	£	s	d
<b>Example</b> —Amount of " <i>Dr.</i> Bank" column ..	274	19	6
Less " " <i>Cr.</i> Bank " ..	67	8	4
	<hr/>		
Balance at Bank as per Cash Book ..	207	11	2
	£	s	d
Balance at Bank as per Pass Book	217	10	0
Less Cheque uncleared, Feb. 17th	9	18	10
	<hr/>		
	207	11	2
	<hr/>		

(c) Analysis columns, into which all Receipts are extended from the Cash column, and which are totalled at the close of the year, thereby obtaining a classification (without the use of detailed Ledger Accounts) which can be verified by comparing the totals of the Analysis columns with the total of the column from which the extensions are made after deducting from same the cash drawn from bank, Analysis columns are also provided upon the *Cr.* side of the book, into which all payments will be extended, and these columns are totalled at the end of the year in the same manner as are the Analysis columns of Receipts, the Cash and Bank columns from which the extensions are made being used for the purpose of checking the Analysis. (See Sheet "A," page 54.)

In order to illustrate the working of the Cash Book as fully as possible, X.'s receipts, payments, and transfers between Cash and Bank Accounts are given in detail for the first month of his financial year (February), and the succeeding transactions up to February 2 1901 are shown in *monthly totals*.

It is a great advantage to have the Cash and Bank Accounts side by side in the Cash Book, because of the manner in which they are interwoven. Cash is paid into bank, and, of course, this is no ordinary payment, as it does not affect X.'s available *funds* at all; it simply transfers a portion of them from his own pocket into his Bank Account, therefore it is treated as per example, and the amount is not extended into the Analysis columns either upon the payments' side on its being paid by Cash Account, or upon the receipts' side, when it is received by Bank Account. Looking upon the Cash and Bank Accounts as a whole, it does not matter in which of them the money is so long as it is at X.'s disposal.

Again, cash is drawn from bank by cheque, generally payable to "self," and this is a most frequent proceeding, probably occurring almost every week, in order to provide ready money with which to pay such outgoings as Wages, Household Expenses, and Petty Payments generally.

The cheque is drawn and entered from the cheque counter-foil into the *Cr.* Bank column (Bank being the payer, and, therefore, receiving credit for it), and as Cash receives it (and Cash, of course, represents X.'s cash-box) it must be entered on the left (or *Dr.*) side of Cash Book in *Dr.* Cash column. (See example.)

This is purely a transfer from one part of the funds to another part, and consequently the total amount is not affected. Bank pays the sum; Cash receives it; and there the record ends, for it is not extended into the Analysis columns on either side of the Cash Book.

*Example, showing method of dealing with cash "drawn from" and "paid into" bank:—*



<i>Dr.</i> CASH.				CONTRA. <i>Cr.</i>			
Date	From whom received	<i>Dr.</i> Cash	<i>Dr.</i> Bank	Date	To whom paid	<i>Cr.</i> Cash	<i>Cr.</i> Bank
1900 Feb. 3	To Balance in hand	£ s d 10 6 8	£ s d .. ..	1900 Feb. 6	By Cheque, "Self" (A)	£ s d .. ..	£ s d 15 0 0
" 6	" Do. at Bank	.. ..	132 11 0				
	" Drawn from Bank (a)	15 0 0	.. ..				
	" Cash to Bank (b)	.. ..	10 0 0		" Cash to Bank (b)	10 0 0	

The entries (as per example) marked (a) are described upon the *Dr.* side as "Bank Contra." The entries under Class (b) are called on *Dr.* side "Cash Contra."

The summary of this explanation of the Cash Book may be stated as follows:—

(a) The balances in hand at the 3rd February 1900 are entered up from the opening Balance Sheet.

(b) All receipts are entered on *Dr.* side (receiver being always *Dr.*).

(c) All payments are entered on *Cr.* side (payer being *Cr.*).

(d) The receipts are extended into Analysis columns on *Dr.* side.

(e) The payments are extended into Analysis columns on *Cr.* side.

(For transfers of funds from Bank to Cash, and *vice versa*, see above example.)

(f) Columns *Dr.* Cash and *Cr.* Cash should be compared at intervals of not more than one month for the purpose of checking the cash in hand.

(g) Columns *Dr.* Bank and *Cr.* Bank are compared at like intervals with the Bank Pass Book, with the balance of which, subject to uncleared cheques, they should agree.



IV.

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**STOCKTAKING AND DEPRECIATION.**

When the 2nd February 1901 comes round, the first year of X.'s trading is completed. Supposing his Cash Book has been balanced, the Cash and Bank balances have been verified by comparison with the cash in hand and Bank Pass Book respectively, and the next step will be to prepare his Profit and Loss Account and Balance Sheet, the procedure necessary to carry this out being given below :—

(1) Carry the receipts (£1,509 7s. 8d.) as per the totals of the Analysis columns of the Cash Book into the Tabular Ledger Total column on the *Cr.* side, then extend each one of these totals into the particular Ledger Account column to which it refers.

(2) Carry the payments (£1,267 7s. 4d.), as per the Analysis columns of the Cash Book, to the Total column on the *Dr.* side of Tabular Ledger, then extend into Ledger Account columns.

(3) Obtain an Inventory and Valuation of each of the following :—

(a) Live Stock (Cattle, Sheep, Pigs, Horses, Poultry). See below.

(b) Fodder, Corn, Cake, &c.

(c) Unexhausted Manures, Tenant Right, and Hop Roots.

(d) Unsold Dairy Produce.

(a) *Inventory and Valuation of Live Stock and Produce.*—This is a very important matter, as, upon its result, the correctness of the profit or loss as shown by the Profit and Loss Account depends.

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In the first place, it is necessary to decide upon the *basis* of valuation, which governs the proceeding; and this, having once been fixed, should be adhered to on all future occasions.

It is difficult for a farmer to make an entirely unprejudiced valuation of his own stock, and this may be attributed to his becoming so used to seeing it that his judgment is apt to be at fault concerning its value. Under these circumstances, it is advisable to call in an independent valuer yearly to do the work, and the small cost of this is more than recouped by the reliability of the information obtained.

Where owners value their own stock it is a wise plan to take a small percentage off the amount of the valuation of the live stock to guard against the danger of over-doing the figure, and consequently upsetting the fairness of the Profit and Loss Account—viz., showing too much profit in the current year at the expense of the succeeding one.

(4) Make a schedule of all debts owing *to* the business. This is easily done, as it is not likely that more than two or three amounts are due on account of the sales being for "prompt cash."

(5) Make a schedule of all debts owing *by* the business. Particular care should be taken that this schedule is complete, as the correctness of the result shown by the accounts depends upon the inclusion of all credits at the date of the Balance Sheet (2nd February 1901).

If a Memorandum Invoice Book is kept on the basis of the example shown on page 5, the amounts owing *by* the business can be ascertained without much fear of error, providing that accounts for blacksmiths' and wheelwrights' work are obtained to date (invoices not being forthcoming in these cases and accounts being generally rendered half-yearly).

(6) Carry the information obtained under headings 3, 4, and 5 to the Tabular Ledger in the manner which will be described when this form is dealt with (page 20).

(7) Ascertain the value of the Poultry, Meat, Eggs, Bacon, &c., which have been consumed in the house during the year directly from the farm (which is equivalent to a sale by the farm and forms part of the private expenditure of X.).

(8) Decide upon the rate of depreciation which is to be written off Machinery, Plant, Implements, Casks, Dairy Utensils, &c. (which form the Capital Outlay Accounts, and have no direct bearing upon Profit and Loss Account), and work out the amount of such depreciation on :—

- 1.—Fixed Machinery and Plant.
- 2.—Moveable Machinery and Plant, Implements, Casks, &c.
- 3.—Dairy Utensils.

It is believed that the general rates in such cases are :—

No. 1— $7\frac{1}{2}\%$ on the reducing balances.			
„ 2—10%	„	„	„
„ 3—10%	„	„	„

and their use is recommended. By reducing balances are meant the calculation of the percentage on the amount at which the asset stood in the books at the commencement of each year, therefore the calculation is always upon a lesser value than upon the previous occasion (additions excepted).

(9) To check the inventories of these Capital Outlay Accounts with actual machinery, implements, &c., in order to see that everything scheduled is on the farm.

Having stated the requirements, without which X.'s annual accounts cannot be prepared, their accomplishment will be indicated, and their entry in the Tabular Ledger shown.

## RESULT OF STOCK TAKING.

- No. 1—Receipts  
 „ 2—Payments } These have been entered in the Tabular Ledger.  
 „ 3—The Inventory and Valuation of Live Stock has been made as follows:—

	£	s	d	£	s	d
Cattle .. ..	755	7	6			
Sheep .. ..	338	0	0			
Pigs .. ..	29	5	0			
Horses .. ..	285	0	0			
Poultry .. ..	11	8	6			
	<hr/>			1,419	1	0
Fodder, Corn, Cake, &c. .. ..				265	10	0
Unex. Manures, Tenant Right, and Hop Roots .. ..				146	15	0
Unsold Dairy Produce .. ..				Nil		

„ 4—Debts owing to the Farm .. ..	£46	10	0
„ 5—Debts owing by X. on the Farm's Account—	£	s	d
Sundry Creditors .. ..		59	18 0
Half-Year's Rent, due Feb. 2nd 1901 .. ..		187	10 0
	<hr/>		
	£247 8 0		
	<hr/>		

„ 6—See Tabular Ledger.

„ 7—The value of Produce, Poultry, &c., consumed in the house during the year was £44 7s. 6d.

(This item, as before mentioned, forms a credit to Profit and Loss Account and a debit to Private Expenditure Account, and is so dealt with in the Tabular Ledger.)

„ 8—Depreciation on—

	Valuation Feb. 3rd. 1900.	Rate of Depreciation.	Amount.
(a) Fixed Plant and Machinery	£145 0 0	7½%	£10 17 6
(b) Loose Implements, Casks, Gearing, &c. .. ..	186 7 0	10%	18 12 8
(c) Dairy Utensils .. ..	15 0 0	10%	1 10 0
	<hr/>		£31 0 2
	<hr/>		<hr/>

*N.B.*—No depreciation is written off hop poles (£64 8s. od.), because it is better to charge the yearly renewals against profits than to write off a fixed rate of depreciation each year, and the hop yard is sure to be kept up to the mark in the matter of poles. The reader may ask why it is that these Capital Outlay items are not valued each year with the Live Stock and Produce, and why they are not debited to Profit and Loss Account at the commencement of each year, and the valuation of them credited at the close thereof in the Profit and Loss Account. The answer is that they have no *direct* bearing upon the profits of any particular year on account of their forming part of the means *by which* the farm business is done, and therefore the only portion of them which enters into the Profit and Loss Account is the “wear and tear” by which they are reduced in value, and which is most correctly dealt with under the heading of Depreciation, a fixed rate being used in the calculation thereof. The valuation of the machinery and implements each year would cause considerable trouble.

The Profit and Loss Account consists of (a) the Live Stock, Goods, &c., *in which* business is done—viz., which are bought or produced for the purpose of sale; and (b) the direct expenses which bear upon such production, purchase, and sale; the excess (if any) of the sales added to the stocks at the close of the year, over the stocks at commencement of the year added to the cost of production, purchases, and distribution (including depreciation), must be the profit for the year.

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V.

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As mentioned on an earlier page, the Cash Book contains only an account of Receipts and Payments, including both Cash Account and Bank Account transactions, consequently it is necessary to use a Ledger of some kind, in which to record the accounts of Profit and Loss, Capital, and Capital Outlay.

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**TABULAR LEDGER.**

The form of Ledger which has been chosen is a tabular one, and is ruled with:—

(a) Total columns on both *Dr.* and *Cr.* sides.

(b) With Ledger Account columns (*Dr.* and *Cr.* sides), into which each item is extended from the Total columns.

Thus every entry on the *Dr.* side is first recorded in the Total column on that side, and then extended into the particular Account column to which it refers, each entry on the *Cr.* side of the Ledger being dealt with in a similar manner. The Total columns (*Dr.* and *Cr.*), therefore, record the whole of the posting to the Ledger, and consequently the balances of the Profit and Loss, Capital, and Capital Outlay Accounts (of which the Account, or Extension, columns consist) should, when summarised, agree with the difference between the said *Dr.* and *Cr.* Total columns.

The Ledger Accounts which will be dealt with are:—

(1) Profit and Loss Account.

(2) Fixed Plant and Machinery Account.



- (3) Loose Plant, Implements, Casks, Gears, &c., Account.
- (4) Dairy Utensils Account.
- (5) Capital Account.

The reader will now probably be able to grasp the idea of this Tabular Ledger from the explanations which have been given, and from the example itself; if there exists any point which is not quite clear to him, it will be doubtless made plain by following out the working, as shown in the following pages.

Chapter IV. has provided all the information necessary to close the accounts for the year; and it only remains to carry this into the Tabular Ledger, where each portion will be analysed by extension in the column to which it refers.

(1) The Receipts as per the Totals of the Cash Book Analysis columns (see Balance on page 14) are entered on the *Cr.* side of the Tabular Ledger, each amount being first entered in the *Total* column in this Ledger, and then extended into the particular Account column to which it refers.

For instance, Cattle, Sheep, Pigs, Produce, Hops, Fruit, Cider, and Sundries (a portion of) are all extended into Profit and Loss column; but sale of Implements, £9 18s. od., is extended into Loose Plant and Implements column, because it forms a portion of an asset which only bears upon the Profit and Loss Account to the extent of its depreciation.

(2) The Payments, as per the Totals of the Analysis column of the Cash Book (see Balance on page 14), are dealt with in a similar manner to Receipts, being entered in the *Total* column on the *Dr* side, and then extended into the Account columns prepared for them, all the direct expenditure which refers to this particular year being extended into Profit and Loss column. For instance, Live Stock, Feeding Stuffs, Rent, Rates, Insurance, Repairs, &c., are charged to Profit and Loss

Account, but the purchase of a new plough does not directly refer to this year, as it will be used for many years to come, and forms part of Implements Account. It is, therefore, extended into Loose Plant and Implements column, and is thus added to the previous valuation of this asset.

(3) The valuations of (a) Live Stock ; (b) Fodder, Cake, Corn, &c. ; (c) Unexhausted Manures, Tenant Right, and Hop Roots ; (d) Dairy Produce, unsold (in this case there happens to be none on hand) are entered in the Total column on the *Cr.* side and are thence extended into the Profit and Loss column. *These valuations are then carried forward to the Dr. side of the next year's account.*

(4) *Debts Owing to the Business*, £46 10s. od.—This item should be divided into two portions—*i.e.*, (a) Profit and Loss (Live Stock, Produce, Dairy, &c.) ; (b) Capital Outlay (Implements, Plant, and Machinery).

The £46 10s. od. is entered in the *Cr.* side *Total* column, and the dissected items are carried into the Account columns to which they refer. This amount, it so happens, refers to Profit and Loss Account only, so it is carried into that column.

(5) *Debts Owing by the Business*, £59 18s. od.—This should be divided in the same manner as debts owing to the business—*i.e.*, between Live Stock, Fodder, Seeds, Manures (which refer to Profit and Loss Account), and Plant, Implements, and Machinery (which refer to the Capital Outlay Accounts).

The £59 18s. od. is entered in *Dr.* side *Total* column of Tabular Ledger, and the dissected items are extended into their several Account columns.

*Half-year's Rent Owing*, £187 10s. od.—This is entered in the *Dr.* side *Total* column, and extended to Profit and Loss column.

(6) This has already been done.

(7) *The Farm Produce, Meat, &c., Consumed in the House* is £44 7s. 6d.—This forms a portion of “Farm Sales” on the one hand, and “Private Expenditure” on the other, and to deal with it in the accounts only requires a transfer from Capital Account to Profit and Loss Account columns. In order to make this transfer the amount is entered in the Total columns of both *Dr.* and *Cr.* sides, and then extended as follows:—

On the *Dr.* side into Capital Account column; on the *Cr.* side into Profit and Loss Account column.

The result of this adjustment is that, although the balance of Capital Account is not affected in any way, the Profit and Loss Account and the Private Expenditure are both shown at their correct figures.

(8) <i>Depreciation.</i> —Fixed Plant and Machinery	£10	17	6
Loose Plant, Implements,			
Casks, Gearing, &c. ...	18	12	8
Dairy Utensils ...	1	10	0
	<hr/>		
	£31 0 2		
	<hr/>		

This is another transfer which is executed on a similar principle to that dealt with in No. 7. The Profit and Loss Account must be debited with the £31 os. 2d., because it represents the actual loss through “wear and tear” which has resulted during the year, and the portions must be credited to their several Capital Outlay Accounts. The transfer in the Tabular Ledger is, therefore, from *Profit and Loss Account* (by an entry in the Total column, *Dr.* side, which is extended into Profit and Loss column) to *Fixed Plant and Machinery, Loose Plant, &c., and Dairy Utensils Accounts* (by an entry of the £31 os. 2d. in the Total column, *Cr.* side, and an extension of the three separate items into their several Capital Outlay Account columns).

The amounts of the above-named Capital Outlay Accounts are thus reduced by the loss, through depreciation, sustained by the properties they represent, their balances always recording their actual present worth.

The Tabular Ledger is now ready for balancing, every entry referring to the year's work having been made.

The first step to be taken is to *total all the columns*, and prove the clerical accuracy of the extension or analysis by comparing the summary of the Account columns with the Total column on each side as follows:—

TRIAL BALANCE, 2nd February 1901.

Particulars.	Dr. Side		Cr. Side	
	Total Column	Account Columns	Total Column	Account Columns
	£ s d	£ s d	£ s d	£ s d
Total column .. .. .	4,063 3 0		6,078 9 0	
Profit and Loss .. .. .	..	3,459 8 5	..	3,666 13 2
Dairy Utensils Account ..	..	15 0 0	..	1 10 0
Loose Plant, &c. .. .. .	..	254 5 0	..	28 10 8
Fixed Plant and Machinery ..	..	145 0 0	..	10 17 6
Capital Account (Drawings) ..	..	189 9 7	..	2,370 17 8
	£4,063 3 0	£4,063 3 0	£6,078 9 0	£6,078 9 0

The summary of the balances is as follows:—

	Balance of "Total" Columns. Cr.	Balances of Ledger Accounts as per "Account" Columns	
		Dr.	Cr.
	£ s d	£ s d	£ s d
Total Column .. .. .	2,015 6 0	..	..
(a) Profit and Loss Account ..	..	..	207 4 9
(b) Dairy Utensils Account ..	..	13 10 0	..
(c) Loose Plant, &c. .. .. .	..	225 14 4	..
(d) Fixed Plant and Machinery ..	..	134 2 6	..
(e) Capital Account .. .. .	..	..	2,181 8 1
	£2,015 6 0	373 6 10 Less	2,388 12 10 373 6 10
			£2,015 6 0

The above balances are dealt with as follows:—

Profit and Loss Account (*a*), £207 4s. 9d., is transferred to Capital Account (*e*), the amount being first entered in the *Dr.* side Total column, thence extended into Profit and Loss Account column (which closes Profit and Loss Account), and then it is entered in the *Cr.* side Total column and extended into Capital Account column. The balances of (*e*) Capital Account (which now includes Profit and Loss Account balance, and stands at £2,388 12s. 10d.), Dairy Utensils Account (*b*), Loose Plant Account (*c*), Fixed Plant and Machinery Account (*d*), are entered up, to close the year's accounts, *and are carried forward to next year*, with the result that they, together with the balances of Cash and Bank Account (as per Cash Book) the Stock, Live and Dead, at February 2 1901, and the amounts owing to and by the farm form, when summarised, X's Balance Sheet at February 2 1901.

## BALANCE SHEET at February 2nd 1901.

[illegible]

The *Cr.* side (assets) is equal to the *Dr.* side (liabilities), which proves the clerical accuracy of the bookkeeping, and is the basis upon which the next year's accounts will be raised (in the same manner as the opening Balance Sheet on page 7 laid a foundation for the accounts of the year which has been dealt with).

The principle of double-entry bookkeeping has been throughout complied with (as will be more clearly demonstrated on pages 27 & 28), and consequently no entry has been made which has not recorded the double effect of the transaction which it represents.

The Capital Account gives the following information, which X. will doubtless carefully consider, and about which more will be said hereafter.

	£	s	d
X. has made a profit of .. ..	207	4	9
His private expenditure has been .. ..	189	9	7
	<hr/>		
Therefore he has <i>added</i> to his Capital the sum of .. ..			£17 15
	<hr/>		
His Capital, on Feb. 3 1900, stood at ..	2,370	17	8
Add Profits ..		17	15 2
His Capital Account therefore appears in the Balance Sheet on Feb. 2 1901 at ..	<hr/>		
			£2,388 12 1
	<hr/>		

These figures are given here because they represent X.'s financial transactions focussed into the narrowest possible limits in order that he may easily digest them: and he, in this case, takes advantage of the opportunity to compare the known results with the estimate which he has arrived at himself in a somewhat general way.

His estimate placed the profit at £300, and consequently a difference on the wrong side of £92 15s. 3d. needs explanation; but, as Part I. deals with the Profit and Loss Account as

a whole, it is unlikely that X. will be able, from the information contained therein, to find out with any degree of accuracy how this difference is distributed over the various departments of the farm.

It is with a view to solve this problem that Part II. is written, and it will deal with the *same accounts* and the *same period* as Part I., but it will aim at providing a separate Profit and Loss Account for each department or branch engaged in, thereby enabling X. to compare his estimate with the branch Profit and Loss Accounts, and showing him where the difference, which he cannot now account for, arises.

Part I. is complete without any portion of Part II., and it is quite optional whether the latter is taken up—with the additional work which it involves and the additional advantages which it provides.

In order that the application of the double-entry system of bookkeeping may be made quite clear, the "double effect" of every entry made in the books is shown below in a solidified form. Each item (or items) which appears on the *Dr.* side is marked with the same letter as is its corresponding item (or items) on the *Cr.* side, and by following these letters out it will be easy to distinguish every transaction as it is dealt with on the books.

<i>Dr. side.</i>	CASH BOOK.	<i>Cr. side.</i>
	£ s d	£ s d
To Cash in hand and at Bank, Feb. 3		By Payments made during year ..
1900 .. ..	142 17 8 <i>M</i>	1,267 7 4 <i>B</i>
Receipts during the year .. ..	1,509 7 8 <i>A</i>	(See Cash Book Analysis Columns)
(See Cash Book Analysis Columns)		Cash in hand and at Bank, Feb. 2
		1901 .. ..
	<u>£1,652 5 4</u>	384 18 0 <i>C</i>
		<u>£1,652 5 4</u>
To Balances down (See Balance Sheet) .. ..	£384 18 0 <i>C</i>	

## TABULAR LEDGER.

	£	s	d		£	s	d
To opening Balances,				By opening Balances,			
Feb. 2 1900 ..	2,473	0	0 <i>M</i>	Feb. 2 1900 ..	2,615	17	8 <i>M</i>
Payments from Cash				Receipts (See Cash			
Book .. ..	1,267	7	4 <i>B</i>	Book) .. ..	1,509	7	8 <i>A</i>
Produce used in				Produce used in			
house .. ..	44	7	6 <i>D</i>	house .. ..	44	7	6 <i>D</i>
Depreciation ..	31	0	2 <i>E</i>	Depreciation ..	31	0	2 <i>E</i>
Profit .. ..	207	4	9 <i>F</i>	Profit .. ..	207	4	9 <i>F</i>
Stocks, &c., carried				Stocks and Balances			
to next year :—				carried to next			
Creditors ..	247	8	0 <i>G</i>	year :—			
Capital Account	2,382	4	0 <i>H</i>	Stock on hand..	1,831	6	0 <i>K</i>
				Debtors ..	46	10	0 <i>J</i>
				Capital Outlay			
				Accounts ..	366	18	0 <i>L</i>
	<u>£6,652</u>	<u>11</u>	<u>9</u>		<u>£6,652</u>	<u>11</u>	<u>9</u>
1901	£	s	d	1901	£	s	d
Feb. 3. To Stocks on				Feb. 3. By Creditors			
hand ..	1,831	6	0 <i>K</i>	forward ..	247	8	0 <i>G</i>
Debtors ..	46	10	0 <i>J</i>	Capital Ac-			
Capital Out-				count for-			
lay A/cs ..	366	18	0 <i>L</i>	ward ..	2,382	4	0 <i>H</i>

See Balance Sheet for each of these five items.



## PART II.

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### DEPARTMENTAL PROFIT AND LOSS ACCOUNTS.

PART I. has dealt with the accounts of X. for the year ended February 2 1901, with the result that a Profit and Loss Account and a Balance Sheet have been prepared, and the *Dr.* and *Cr.* balances contained in the latter—viz., the assets and liabilities—have been found to be equal, and have been carried forward to the next year.

The clerical accuracy of the bookkeeping has thereby been proved, and the profit shown by the Profit and Loss Account is £207 4s. 9d., as against private expenditure amounting to £189 9s. 7d., consequently a sum of £17 15s. 2d. has been saved by X. upon the general working of the year, and this has been added to the capital which he possessed at the commencement of the year—viz., February 3 1900. It will be remembered that one of the maxims quoted on page x. of Part I. was that—"When the income exceeds the private expenditure a person is living wisely and safely from a financial point of view," therefore the result which has accrued to X.'s labours may, on the face of the figures mentioned, be termed a satisfactory one. This would actually be the case were it not for the fact that he has estimated his profits at £300, or £92 15s. 3d. more than his accounts show that he has made.

It is evident that something must be thoroughly wrong to cause X.'s judgment of the results of his business to be so wide of the mark, and it will be the object of this portion of the book (Part II.) to so analyse the Profit and Loss Account, and

adjust the consumption of home-grown produce, which up to now has not been dealt with as it has no effect upon the general Profit and Loss Account, as to disclose where the differences between the estimated amount of profits and the actual results of each department arise. The estimate of £300 which X. has made was arrived at by him as follows:—

				£	s	d
Department	1.	Cattle	.. ..	15	0	0
	2.	Sheep	.. ..	50	0	0
	3.	Pigs	.. ..	16	0	0
	4.	Arable	.. ..	44	0	0
	5.	Hops	.. ..	75	0	0
	6.	Pasture and Orcharding	.. ..	70	0	0
	7.	Dairy and Poultry	.. ..	30	0	0
				<hr/>		
				£300 0 0		
				<hr/>		

Until his calculations can be compared with the actual results X. is in a very uncertain position, and his future transactions will be seriously affected thereby on account of the evidently erroneous ideas which he holds as to his profits. Estimates, unless based upon the Profit and Loss Accounts of past periods, which provide data from which the future expenses may be approximately arrived at, cannot be very reliable, principally because there is always a possibility—I may say a probability—that some item of expense may not have been considered in arriving at the cost, or *Dr.*, side of the estimated account, and because of the difficulty experienced in gauging the items representing the outlay of which that side of the estimate is composed.

It is important to a farmer that he should have as accurate an idea as possible of what the cost of his live and dead stock has been to him up to the time of his offering it for sale, and although, of course, the market price cannot be affected by

any such calculations, it is very necessary that the price *asked* should be arrived at by sound methods, so that the profit which the vendor thinks he is reserving for himself may exist in fact. To sell stock at a less figure than its cost to date of sale is bad enough, but to do this without being aware of it would probably lead to a repetition in future sales, and an unsatisfactory return of profits at the close of the year. Beware of estimates unless they are calculated upon a basis provided by Departmental Profit and Loss Accounts.

[N.B.—The Profit and Loss Account as given in Part I. will, in future, be called the *General Profit and Loss Account*, and the analysis will be termed *Departmental Profit and Loss Accounts*.]

The reader will remember that the profit disclosed by the Profit and Loss Account was £207 4s. 9d., whereas X.'s estimate that he had made £300, and the bare fact that there is a difference of £92 5s. 3d. on the wrong side, is all that Part I. informs us. To show up this difference by a comparison of the results of Departmental Profit and Loss Accounts with X.'s detailed estimate is now our object, and the method employed to accomplish it is as follows:—

(a) Analyse each item in the General Profit and Loss Account in the order in which it appears therein, commencing with the *Cr.* side and afterwards dealing with the *Dr.* side.

As the analysis is made it is extended into the columns provided for the purpose in the example on page 56, Sheet "B" (second part).

(b) By taking an account of the various feeding stuffs, Cake, Corn, Hay, Roots, &c., which are consumed by the (1) Cattle, (2) Sheep, (3) Pigs, (4) Poultry and Dairy Cattle, so that each class may bear its proportion of expense.

(c) By taking an account of the grass keep *at per head per day*, which the animals of classes 1, 2, and 3 have the benefit

of, in such manner that each class may be charged with its share.

(d) By keeping a record of the distribution of seeds and fertilisers.

The period dealt with will be *the same as that covered by the accounts in Part I.*, and in order to so avoid extending this book to cover two years' accounts it will be necessary to assume that all these particulars (a), (b), (c), and (d) have been properly recorded, so that they may be entered up as required. The reason why the same period is covered by both portions of this book is that it is much simpler and more comprehensible to apply Part II. to the actual transactions which have already been recorded in Part I., and thereby make the former merely a further explanation and an extension of the latter, than would be the case if an entirely new period were used for the purpose of dealing with the Departmental Accounts. It is probable that the latter course would make this book more voluminous than is necessary.

As mentioned in Point (a), the General Profit and Loss Account, as shown in Part I., is the basis upon which the present work will be carried out, and the reader will find that to refer to this as he proceeds will facilitate his understanding the remarks to come.

The Departments into which the work will be divided are (1) Cattle; (2) Sheep; (3) Pigs; (4) Arable and Feeding Stuffs; (5) Hop Plantation; (6) Pasture and Orchardng; (7) Dairy and Poultry; (8) Sundries; and separate Profit and Loss Accounts will be forthcoming for each of these classes, the whole of which, when summarised, will be found to agree with the profit as shown by the General Profit and Loss Account.

The first step taken is to analyse each item on the *Cr.* side of the General Profit and Loss Account, and carry the result of the analysis at once to the Departmental Accounts upon page 56, Sheet "B" (second part).

**General Profit & Loss Account**

	£	s	d
1.—Sundry Creditors at commencement of year .. ..	57	10	0
	<hr/>		
	£57	10	0

**Analyses.**

	£	s	d
The invoices and statements are referred to with the following result:—			
Sheep Account ..	19	15	0
Arable and Feeding			
Stuffs .. ..	30	0	0
Seeds and Fertilisers	7	15	0
	<hr/>		
	£57	10	0

	£	s	d
2.—Half Year's Rent due at commencement of year ..	187	10	0

The farm consists of 300 acres divided as follows:—

Arable, 144½.  
Hop-land, 5½.  
Pasture and Orcharding, 150.

The Rent therefore works out at 25s. per acre (tithe free), but before allocating this to the three classes of land it is necessary to decide what additional share the Hop Plantation should bear on account of its greater value per acre. The reason for this extra value of the Hop Plantation is that it was necessary to expend an amount of capital upon it for several years before a return could be obtained and consequently its produce per acre should reasonably result in a larger net profit than that from the other land.

The Hop Plantation is charged at £1 17s. 6d. per acre (1½ times 25s.) and the remainder of the rent is divided in proportion to the acreage.

The Analysis therefore is—

The Analysis therefore is—			Whole Year.			Half Year.		
			£	s	d	£	s	d
Arable,	144½ acres	@	1	4	9½	178	18	9
Hop-land,	5½ „	„	1	17	6	10	6	3
Pasture and Orcharding,	150 acres	@	1	4	9½	185	15	0
						92	17	6

## 3. —Receipts:—

	£	s	d	
Cattle .. ..	535	12	9	Extended into Cattle Account Column.
Sheep and Wool	254	0	1	„ „ Sheep „ „
Pigs .. ..	36	5	0	„ „ Pigs „ „
Produce .. ..	309	0	0	„ „ Arable „ „
Hops .. ..	210	0	0	„ „ Hops „ „
Dairy and Poultry	73	15	10	„ „ Dairy and Poultry Account „
Cider and Fruit	77	13	6	„ „ Pasture and Orchard A/c „
Sundries .. ..	3	2	6	„ „ Sundries „ „

## 4.—Produce and Meat consumed in the house, £44 6s. 7d. The house book is referred to and divides this amount into two portions:—

£	s	d	
28	13	0	Extended to Pigs Account Column, being for Pigs killed.
15	14	6	„ „ Dairy and Poultry Account Column for Fowls, Eggs, Butter used in house.

The reasons for allocating “Horses” to “Sundries” Account are as follows:—

(a) They are used principally for the purpose of working the farm, and yet, owing to breeding, increased values of horses, and decreased values owing to accidents and depreciation, it is impossible to deal with them as capital expenditure—viz., in the same manner as implements, &c. They must, therefore, be valued with the other live stock, and be brought into the Profit and Loss Account as Stock on hand at the beginning and end of each year.

(b) The purchases and sales consist of a very few items only in a year.

(c) If horses were dealt with as a department it would be necessary to keep an account of their corn, fodder, &c., and to charge the other departments with their use, which would involve more work than would be justified by the results gained.



Each item of the credit side of Profit and Loss Account (page 55) has now been brought into notice, dissected, and extended into its Analysis columns in the Departmental Accounts on page 56. The *Dr.* side of the Profit and Loss Account will next be dealt with.

(1) Debtors at Commencement, £54. This is found to refer to—

	£	s	d
Pigs Account .. ..	14	3	6
Arable Account .. ..	9	5	0
Dairy and Poultry Account ..	10	6	6
Seeds and Fertilisers Account	20	5	0
	<hr/>		
	£54	0	0
	<hr/>		

(2) Live Stock at Commencement, £1,553 10s. od. This is dissected as follows from the Inventory Book—

	£	s	d
Cattle Account .. ..	869	0	0
Sheep „ .. ..	366	2	6
Pigs „ .. ..	30	3	6
Horses to Sundries Account ..	275	0	0
Dairy and Poultry „ ..	13	4	0 for Poultry.
	<hr/>		
	£1,553	10	0
	<hr/>		

(3) Corn, Fodder, and Feeding Stuffs. The inventory shows this to consist of—

	£	s	d	
A.—Corn Roots, Straw, Cake, and other additional Feeding Stuffs .. ..	218	5	0	This is extended into "Arable" Column.
B.—Hay .. ..	77	15	0	Extended into "Pasture and Orcharding" Column

(4) Unexhausted Manures, Hop Roots, and Tenant Right, £158 15s. od. This refers to—

	£	s	d		£	s	d
Arable Account	129	11	0	Hop-land Account	29	4	0



(5) Payments made as per Cash Book Analysis columns:—

(a) Cattle, £150 os. od. This is extended to Cattle Account.

(b) Sheep, £86 2s. 6d. This is extended to Sheep Account.

(c) Pigs, £10 os. od. This is extended to Pigs Account.

(d) Rent, £375 os. od. This is divided up upon the same basis as that used in the case of item No. 2 on the Cr. side of the Profit and Loss Account.

	£	s	d
Arable .. .. .	178	18	9
Hops .. .. .	10	6	3
Pasture and Orchardng ..	185	15	0

(e) Rates and Taxes, £19 15s. 3d. This is divided in proportion to the acreage, and the result is—

	£	s	d
Arable Account .. .. .	9	10	4
Hops Account .. .. .	7	3	
Pasture and Orchardng Account ..	9	17	8
	<hr/>		
	£19	15	3

(f) Insurance, £6 2s. od. The Insurance Policy gives the following information:—

	Rate per cent.	£	s	d		£	s	d
Produce £920	5	2	6	0	Divide Arable ..	3	1	10 8
					Pasture ..	3	15	4
					<hr/>			
Live Stock 1050	5	2	12	6	Divide Cattle ..	5	1	6 3
					Sheep ..	10	15	10
					Horses ..	10	10	5
					<hr/>			
Implements 265	5	13	6		Arable ..	3	9	0
Hops .. 200	5	10	0		Pasture ..	3	4	6
					Hops Account ..		10	0
£2435		£6	2	0			£6	2 0

The Summary of this Analysis is as follows :—

					£	s	d
Arable	..	..	..	..	1	19	8
Pasture	..	..	..	..		19	10
Cattle	..	..	..	..	1	6	3
Sheep ..	..	..	..	..		15	10
Horses	..	..	..	..		10	5
Hops ..	..	..	..	..		10	0
					<hr/>		
					£6 2 0		
					<hr/>		

N.B.—The 5s. rate used here has been altered by the Tariff Offices, but the policy will always be the guide to the dissection.

- (g) Feeding Stuffs and Medicines, £81 17s. 11d. This is extended *in toto* to "Arable and Feeding Stuffs" column, because its distribution, together with home-grown produce, will be dealt with later on.
- (h) Seeds and Fertilisers, £71 16s. 3d. This is extended to "Seeds and Fertilisers" column, and its distribution will be dealt with later.
- (i) Wages, £265 10s. 6d. In order to procure an analysis of this item the workmen should use Weekly Wages Sheets, upon which they should enter the work done. The principal receives these when he pays the wages weekly, and from the information which they contain he enters up a "Wages Analysis Book" (which he undertakes himself, and he should be very careful to do this immediately after the sheets are handed in, so that any doubtful entries by workmen may be set right whilst the work done is fresh in their minds).

The usual form of Wages Sheet is as under :—

WAGES SHEET for the week ended February 16th 1900.

Name of Workman—John Jones.

Class of Work—Waggoner.

Day	Nature of Work	Rate of Pay	Portion of Day	Total Days
Saturday ..	Ploughing Arable .. .. .	2/4	Whole	1
Monday ..	Hauling Manures to Arable .. Ploughing do. ..	2/4	$\frac{1}{2}$ -Day $\frac{1}{4}$ -Day	1
Tuesday ..	Ploughing Arable .. . . .	2/4	Whole	1
Wednesday .	Ploughing Arable .. .. .	2/4	Whole	1
Thursday ..	In Stable and General Work .. (Raining all day)	2/4	Whole	1
Friday ..	Hauling Grain to Station .. ..	2/4	Whole	1

Amount of pay £ : :

Rate of Wages 14/- per week.

Signature of Principal or Bailiff

X

.....

The week commences on Saturday morning and ends on Friday night, and this is arranged to suit the payment of wages on Friday night, which is the most convenient time for both master and man.

The Wages Analysis Book is ruled as follows :—

## WAGES ANALYSIS BOOK.

Week Ended	Name of Workman	Total of Each Sheet	ANALYSIS COLUMNS										Sundries and Account
			Grand Weekly Total Corresponding with Cash Book Payment	Cattle Account	Sheep Account	Pigs Account	Dairy and Poultry Account	Arable Account	Hops Account	Pasture and Orchard- ing A/c			
1900 Feb. 9	Jones ..	£ s d 0 14 6	£ s d 7 .. ..	£ s d 0 10 6	£ s d .. ..	£ s d .. ..	£ s d .. ..	£ s d 0 4 0	£ s d .. ..	£ s d .. ..	£ s d .. ..	£ s d .. ..	
	Brown ..	0 16 0	..	..	..	..	..	0 3 6	0 12 6	..	..	..	
	Richards ..	0 12 0	..	0 12 0	..	..	..	..	..	..	..	..	
	Thomas ..	0 15 0	..	0 4 9	..	..	..	0 10 3	..	..	..	..	
	Evans and others (piece work)	1 19 0	..	..	..	..	..	1 12 6	..	0 6 6	..	..	
	Hayes ..	0 8 0	..	..	0 2 6	..	..	..	..	..	0 5 6	..	
	Groves ..	0 10 6	..	..	..	..	0 7 6	..	..	..	0 2 6	..	
			5 15 0										
The above is a "specimen" week, and the remainder of the year is as follows:—													
			259 15 6	33 4 9	25 13 0	5 7 6	11 2 6	77 15 3	81 19 6	12 8 6	12 5 0		
			£265 10 6	£34 0 0	£26 5 0	£5 10 0	£11 10 0	£80 5 6	£82 12 0	£12 15 0	£12 13 0		

The value of the analysis depends entirely upon the attention given to its working out, and if this is done once in every week, as soon after the sheets are handed in as possible, it will be found that the trouble involved is not very great. Probably the sheets will generally number five or six per week, with a few more during hay-making and harvest times, and these are dissected one after another on a loose sheet of paper, such dissection then being entered up in the "Wages Analysis Book," and distributed over the Analysis columns according to the labour upon each department. A column is provided for "Total of Weekly Wages," so that the total of each week's Wages Sheets may be carried thereto, and so compared with the amount entered in the Cash Book as "Wages Paid."

Taking the Analysis columns in the order in which they appear, the method of dissection may be explained as follows:—

- (1) Cattle, (2) Sheep, (3) Pigs.—In these columns are entered the amounts of wages of men attending to the three classes of stock, according to the time given to each class, and it is thought more advisable to arrange for the division of each day into one-quarter, one-half, three-quarters, or whole day, than to enter the number of hours on each job. The former method will best apply to farming wages, which are mostly payable at a fixed sum per week.
- (4) Dairy and Poultry.—In this column the wages of the person who looks after the dairy and poultry, attends market, &c., are entered.
- (5) Arable.—All wages for labour in connection with the arable land—viz., working the land, sowing (the seed being entered up in the "Seeds and Fertilisers "Analysis" Book), harvesting, fertilising, mending hedges bounding arable land, delivering grain, &c.

- (6) Hops.—This speaks for itself, as all wages paid for work in connection with the hop plantation—viz., working the land, cutting shoots, poling, fertilising, washing, picking, drying, carting to station—will be included.
- (7) Pasture and Orchardng.—This column is charged with wages for hauling manures, mending fences, haymaking, pruning trees, picking, preparing fruit for market, carting thither, cider-making, hauling fruit and cider sold to customers.
- (8) Sundries.—This column is intended to receive all wages which do not apply to any particular department, a few of the applicable items being (1) Groom attending Hackney Stable and Coach-house; (2) Waggoner's Time in Stable during days when the horses cannot be worked; (3). Wages paid during illness; (4) Wages of boy who does general work.

The Waggoner's time is charged exactly as it is used, either ploughing, carting grain, hops, or live stock, or working up the harness in stable, as above-mentioned.

Time spent hauling fertilisers from the town is charged to "Sundries" Account, because "Seeds and Fertilisers" Account is only charged with the goods purchased, for the purpose of checking the stock, and thereby accounting for the quantity purchased.

The analysis of the £265 10s. 6d. is now completed, and entered up in the "Wages Analysis Book," the totals of the Analysis columns (which have been carried into the Analysis columns of the Departmental Profit and Loss Accounts) being equal the amount of the Total column—viz., £265 10s. 6d.

Before leaving the subject of wages, it will be well to deal with an important, and, perhaps, somewhat trying, point which farmers

have to meet—viz., Workmen's Cider. This usually is given to the men in certain fixed quantities, according to the season of the year, and "Orcharding" should receive "credit" for the value of it, whilst the corresponding "debit" should be to the class of work upon which the men are engaged, and this, being equivalent to wages, is ascertained in exactly the same way as the analysis of "Wages." X., however, does not adopt this practice of supplying his men with cider by allowance, and consequently there is no necessity for him to go to the trouble of charging its value to the various departments by a direct analysis. In place of this method, he makes arrangements with his men as follows:—

He pays them additional wages in lieu of cider, and he ascertains the amount of such extra sum by the actual cost of the cider which they would otherwise have. But men require cider to drink, and it is consequently necessary that they should in some way be so supplied. To meet this, X. *sells* to his men one hogshead at a time, and they pay for this when they have finished it, and consequently before the next one is placed at their disposal. The price which X. charges his men is, again, the actual cost, and the effects of this method of dealing with the question are:—

- (1) The wages paid are *inclusive* of Cider Allowance.
- (2) The cider consumed by the men is paid for in cash.

These points simplify the departmental bookkeeping.

- (3) The control of the cider distribution lies with the men, with the result (from experience) that it is carefully used, and that the quantity drunk is less than the quantity originally allowed by X., leaving him more cider to dispose of to the public at a higher price per gallon.

(k) Repairs, Hop-poles, and Oils, £37 18s. 6d. This item refers to "Hop-land" and "Implements and Machinery," and

should therefore be charged against Hops Account, Pasture and Orchardring Account, and Arable Account. It is first divided into two parts—viz., (1) Hope pole Renewals; (2) Repairs and Oils. No. 1, which is charged to Hops Account, is £8 17s. 6d. No. 2 is £29 1s. od.

No. 2 is distributed as follows:—

		£	s	d
1 <sup>1</sup> / <sub>10</sub> Arable Account	.. .. . viz.	14	10	6
1 <sup>3</sup> / <sub>10</sub> Pasture Account and Orchardring	.. ..	8	14	4
1 <sup>1</sup> / <sub>10</sub> Hops Account	.. .. .	5	16	2
		<hr/>		
		£29	1	0
		<hr/>		

Thus the distribution of £37 18s. 6d. is:—

		£	s	d
Hops Account, £8 17s. 6d., £5 16s. 2d. Total	.. ..	14	13	8
Pasture and Orchardring Account	.. ..	8	14	4
Arable Account	.. ..	14	10	6
		<hr/>		
		£37	18	6
		<hr/>		

(l) Threshing Corn, £9 12s. 6d. This is chargeable to Arable Account.

(m) Sundries, £4 19s. 10d. This is chargeable to Sundries Account.

(n) Depreciation, £31 os. 2d. This refers to:—(1) Arable.  
(2) Hops. (3) Pasture and Orchardring. (4) Dairy and Poultry.  
(5) Cattle. (6) Sheep.

The item consists of—

		£	s	d
(1) Implements and Loose Plant	.. ..	18	12	8
(2) Machinery and Fixed Plant	.. ..	10	17	6
(3) Dairy	.. ..	1	10	0
		<hr/>		
		£31	0	2
		<hr/>		



Item No. 1 is distributed—

						£	s	d
$\frac{6}{12}$	Arable Account	..	..	..	..	9	6	4
$\frac{2}{12}$	Pasture and Orcharding	..	..	..	..	3	2	1
$\frac{3}{12}$	Hops	..	..	..	..	3	2	1
$\frac{1}{12}$	Cattle	..	..	..	..	1	11	1
$\frac{1}{12}$	Sheep	..	..	..	..	1	11	1
						<u>£18 12 8</u>		

Item No. 2 requires a different basis for its distribution, according to the purposes which it serves. In X.'s case the cider mill is worked by the machinery, and consequently Orcharding must bear a proportion of depreciation. The other and principal use for the machinery is in preparing corn, cake, roots, hay, &c., for consumption on the farm.

The analysis of the £10 17s. 6d. will therefore be—

$\frac{3}{8}$	Cattle Account	..	..	5	8	9
$\frac{3}{8}$	Sheep „	..	..	3	12	6
$\frac{1}{8}$	Orcharding	..	..	1	16	3
						<u>£10 17 6</u>

Item No. 3 is a direct charge to “Dairy and Poultry Account.”

The effect of the above analysis is the following distribution :

				£	s	d	£	s	d	£	s	d
Arable Account	..	..	..	..	..	..	..	..	..	9	6	4
Pasture and Orcharding Account				3	2	1	1	16	3	4	18	4
Hops Account	..	..	..	..	..	..	..	..	..	3	2	1
Cattle „	..	..	..	1	11	1	5	8	9	6	19	10
Sheep „	..	..	..	1	11	1	3	12	6	5	3	7
Dairy and Poultry	..	..	..	..	..	..	..	..	..	1	10	0
Total amount of depreciation										<u>£31 0 2</u>		

(o) Sundry creditors at close of year, £59 18s. od. The Invoices and Statements rendered show this to be made up of—

	£	s	d	
Cattle Account ..	32	6	0	Each item is charged to its proper account and no explanation is needed.
Seeds and Fertilisers Account ..	15	0	0	
Arable Account ..	12	12	0	
	£59	18	0	

Half-Year's Rent £187 10s. od.  
owing at end of year.

This is distributed on the same basis as previously mentioned.

Every item comprising the General Profit and Loss Account has now been dissected, having been brought into notice and dealt with in its order, and by tabulating the Analyses obtained (for which see the example on page 56, Sheet "B," second part) each department has been charged with its proper share of expenditure, and has received as a credit the income to which it is entitled. Before, however, the actual profit or loss made by each department can be ascertained it is necessary to deal with three classes of transfers, or adjustments, which have no effect whatever upon the *General Profit and Loss Account*, as they do not concern the "total" profit made, but which have to be considered in arriving at the departmental results.

- No. 1. The Feeding Stuffs, Corn, Cake, Roots, Hay, Straw, &c., consumed, which are *credits* to "Arable and Feeding Stuffs" Account or "Pasture and Orchardring" Account, and *debits* to each of the Classes of Stock in proportion as consumed by them.
- No. 2. The Grass Keep consumed by cattle and sheep, which is a *credit* to Pasture and Orchardring Account, and a debit to the said Live Stock in proportion as consumed.
- No. 3. The Distribution of Seeds and Fertilisers amongst (1) Arable Account, (2) Hops Account, (3) Pasture and Orchardring Account; and this is a comparatively easy matter, as the items are generally few.

**No. 1. (Adjustment) Distribution of Feeding Stuffs.**

Each workman whose duty it is to attend to cattle, sheep, or pigs, and the person who attends to the "poultry," should keep a record of the corn, roots, cake, hay, &c., which they serve out, and for that purpose a Memorandum Book, ruled as follows, will be suitable:—

**WORKMEN'S FEEDING STUFF DISTRIBUTION BOOK.**

Date	Class of Fodder	Quantity	Class of Live Stock	Remarks
		Either by "Measure" or by "Weight"		

On pay-night (Friday, probably) the workmen hand these books to the principal or the bailiff, and he devotes an hour or two to "pricing out" the items to date, and summarising each book, which Summary he then carries to the "Feeding Stuffs" Analysis Book, the ruling of which is as follows:—

**FEEDING STUFFS ANALYSIS BOOK.**

Week ended	Name of Workman	Total		Analysis			
		Arable	Pasture (Hay only)	Cattle	Sheep	Pigs	Poultry
		£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
		This Column is for everything except Hay					
The result for the year is		£169 17 3	£90 12 3	£160 16 0	£56 15 0	£19 13 6	£23 5 0

	£	s	d
	169	17	3
	90	12	3
	<hr/>		
" Total " Columns	£260	9	6
	<hr/>		

	£	s	d
	160	16	0
	56	15	0
	19	13	6
	23	5	0
	<hr/>		
" Analysis " Columns	£260	9	6
	<hr/>		

The *two Total columns* are equal to the *four Analysis columns*, because the latter are an extension of the former. It will be noticed that the workmen have nothing to do with the value of the feeding stuffs which they book, but have only to record the quantity.

The leading points to be observed in keeping the above accounts in such a manner as to be quite reliable are :—

- (1) The workmen should record quantities only.
- (2) They should hand in their books upon each pay-night.
- (3) The dissection and pricing-out should be done at once, so that the books may be returned to the men, and any omission put right whilst fresh in mind.
- (4) No arrears of entering up ought to be allowed to accumulate.

Everything depends upon the care which is taken to carry out the above rules, and the value of the results as shown at the end of the year must be judged by this. The matter might be carried further, and means provided whereby the quantities of the various classes of produce could be checked, but this entails

an addition to the work involved which, it is feared, is already quite as heavy as is practicable. What is required is—

(1) Quantity in stock at commencement of year (this is contained in Stock Inventory Book).

(2) Quantities grown on farm and purchased.

(3) Quantities sold.

(4) Quantities consumed on farm (this is contained in Workmen's Memorandum Books, with exception of hay and corn for horses), and Nos. 3 and 4, deducted from Nos. 1 and 2, should leave the quantity of each class which is actually in stock at the close of the year.

To carry this out thoroughly an account must be taken of the corn, hay, and straw used for horses, which has not been done because horses have been considered as a means whereby the farm is worked, and not as a branch of farming. Arable Account and Pasture and Orchardring Account, generally, get the benefit of the horses, towards the support of which they also generally contribute, and it is not intended to go into the proportion of their contributions. Hops Accounts gets the use of them for nothing, and this should be borne in mind by the principal when he compares the result of (1) Arable Account, (2) Hops Account, (3) Pasture and Orchardring Account.

## **No. 2. (Adjustment) Grass Keep.**

(1) Cattle, (2) Sheep, (3) Dairy Cattle. The above classes of live stock consume the grass keep, and consequently it is necessary to ascertain the proportion in which it is divided between them, and thereby charge the Profit and Loss Account of each with the correct amount. To obtain this information a book should be kept, in which all home tack should be recorded, and which should be ruled as follows :—

## GRASS KEEP BOOK.

Date in	Class of Stock	No. of Head	Date out	Amount per head	Amount of Charge	Analysis Columns.		
						Cattle	Sheep	Dairy Cattle
				£ s d	£ s d	£ s d	£ s d	£ s d
The total for the year is ..					£110 13 0	£62 15 0	£30 6 0	£17 12 0

The totals of the Analysis columns equal the "Amount Charged" column, which latter is entered first on the *credit* side in "Total" column and extended into "Pasture and Orchard" column, and it is then entered on the "debit" side, and the totals of the three Analysis columns are extended into the Departmental columns for Cattle, Sheep, and Dairy Accounts.

This adjusts the matter of grass keep between the departments.

**No. 3. (Adjustment) Seeds and Fertilisers.**

An account should be kept of the distribution of seeds and fertilisers, as they are used, in a book ruled after the following manner:—

## SEEDS AND FERTILISERS DISTRIBUTION BOOK.

Date	Quantity	Nature	Rate per	Amount of Value	Analysis		
					Arable	Hops	Pasture and Orcharding
				£ s d	£ s d	£ s d	£ s d
Amount of year's total .. ..				£80 12 9	£43 1 9	£29 12 6	£7 18 6

The total, £80 12s. 9d., is entered on the *credit* side in "Total" column of the Departmental Profit and Loss Account, and extended into "Seeds and Fertilisers" column, which closes this account, as no stock is left on hand; it is then entered on the debit side in "Total" column, and extended according to the totals of the Analysis columns to "Arable," "Hops," and "Pasture and Orchardling" Departmental Accounts. The distribution of the seeds and fertilisers is thus adjusted.

All the information necessary to complete the Departmental Profit and Loss Account has now been obtained, and the reader is asked to refer to page 56, Sheet "B," second part, where it is stated in complete form.

Department	Departmental Profit and Loss A/c		Estimate		Differences	
	Loss	Profit	Loss	Profit	In excess of Estimate	Below the Estimate
	£ s d	£ s d	£ s d	£ s d	£ s d	£ s d
Cattle .. .. .	36 2 10	..	..	15 0 0	..	51 2 10
Sheep .. .. .	..	60 7 4	..	50 0 0	10 7 4	..
Pigs .. .. .	..	13 8 10	..	16 0 0	..	2 11 2
Arable & Feeding Stuffs .. .. .	..	25 7 6	..	44 0 0	..	18 12 6
Hops .. .. .	..	65 16 3	..	75 0 0	..	9 3 9
Pasture and Orchardng. .. .. .	..	57 11 7	..	70 0 0	..	12 8 5
Dairy and Poultry .. .. .	..	25 16 10	..	30 0 0	..	4 3 2
Sundries .. .. .	5 0 9	..	..	..	..	5 0 9
	£41 3 7	248 8 4	..	£300 0 0	£10 7 4	103 2 7
		Less 41 3 7			Difference between £300 and actual Profit	Less 10 7 4
		£207 4 9				£92 15 3

The profit made, according to the General Profit and Loss Account, was £207 4s. 9d., which agrees with the Departmental profits, as shown above; but as X. estimated that this should have been £300, it is necessary to compare the actual results of the departments, as shown above, with the particulars of X.'s estimate, and, this having been accomplished, and the differences traced to their localities, some interesting and useful information has been obtained.

It is clear from the comparison that in every department but one (Sheep) X. has over-estimated the profits, and this probably means that he has under-estimated the "cost" side of the Profit and Loss Account, and "depreciation" he probably did not notice at all. His greatest error has been made in calculating the profit on "Cattle" at £15, when a loss has been proved of £36 2s. 10d., the difference between estimate and result, and it is likely that costs of "feeding stuffs" and of "grass keep" have been insufficiently considered.

The other Departmental Accounts give evidence of great uncertainty in X.'s calculations, and this shows him how necessary it is to provide himself with means whereby his mind may



be kept in close touch with all the branches in which he engages, and that he should know at least once in every year what profit or loss he has made, and also how each department of the business has contributed towards this result.

The accounts of X. for the year ended February 2 1901 are closed, and thus the conclusion of this book is approached. Many points of lesser importance have been allowed to pass untouched, because their consideration, whilst, perhaps, only slightly improving the system, would have entailed the very complications which it has been my endeavour to avoid; and, when these points, which are not very numerous or important, arise, they will be easily overcome by a little careful study of the requirements of the situation.

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**CASH BOOK.**

FORM A.



**CASH BOOK.**

FORM A.

1000

**TABULAR LEDGER.**

FORM B.





**DEPARTMENTAL PROFIT AND LOSS  
ACCOUNTS.**

EXTENSION OF FORM B.







## INCOME TAX.

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### INCOME TAX AS RELATING TO AGRICULTURE.

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No work of an accountancy character can be considered complete unless it deals with the much-vexed question of Income Tax to some extent, and particularly is this so in relation to that class of business the accounts of which are the subject-matter of its pages. It is desired that this handbook shall be of practical use to the agricultural public, and that it shall contain such information as will enable the agriculturist to usefully refer to it as a guide to the manner in which he should (*a*) keep his accounts, (*b*) ascertain his profits and losses, and (*c*) represent the said profits and losses to the Commissioners of Income Tax from time to time in such a manner that the tax which he actually pays shall always be the sum which is equitably and legally due from him.

The field covered by the statutes relating to income tax, commencing with an Act passed in 1799 (the first which had for its basis of assessment the income of persons), is a very wide one. The law as at present existing is governed by the Income Tax Act of 1842, qualified by numerous other statutes passed up to the present day. It is not intended to deal with the subject in a complete sense, but rather to refer to that portion which more particularly affects agriculture, and in fixing the dividing line it is necessary to assume that three classes of persons will be met with, viz. :—

- (1) Farmers who own the farm which they occupy, and are therefore both farmers and landowners.
- (2) The occupiers of land for the purposes of husbandry only, who possess no income outside the profits derived from the said land.
- (3) The occupiers of land for the purposes of husbandry only, who possess income from sources other than the occupation of the land referred to.

In these days of progressive agriculture, when land is being utilised to a large extent for the purposes of the growing of hops and fruit, and a much larger capital outlay may be profitably incurred upon a less acreage, it is not often that a farmer is met with who has capital invested other than in the land which he is working, and consequently classes Nos. 1 and 2 are more generally met with than class No. 3.

Income tax is a duty payable to the Inland Revenue Authorities, and is charged annually; the fiscal or Government official year extends from April 6 in one year to April 5 in the next, and the tax is payable upon January 1 in such year—viz., three months before the expiration of the year to which it refers. The tax is assessed upon the incomes of persons resident in Great Britain, whether derived from sources outside Great Britain or not, and upon such incomes of persons resident outside Great Britain as are made payable therein.

As has already been mentioned, the first Act of Parliament passed which authorised a tax calculated with reference to the annual income was that of 1799, and the principal Acts which have passed into the Statute Book since that day are those of 1842, 1851, 1853, 1878, 1880, 1894, and 1898.

It is the rule now-a-days to include legislation in regard to income tax in the Finance Act, which follows the introduction of the yearly Budget by the Chancellor of the Exchequer, and

the rate in the £ at which the tax is charged is stated in the Budget; this announcement being looked forward to with considerable interest, as it is the item in the Financial Statement which most generally affects the duty-paying public in a direct manner. At the end of this book will be found a few cases referring to agriculture which have been the means of clearing up disputed points from time to time.

Relief, by way of abatement or exemption, is granted to those persons whose incomes do not exceed the sum of £700, as follows:—

Persons whose income does not exceed £160 per annum are allowed  
*total exemption.*

Do. exceeds £160 but does not exceed £400 are allowed an					
<i>abatement of £160</i>					
Do.	do.	400	do.	500	do. 150
Do.	do.	500	do.	600	do. 120
Do.	do.	600	do.	700	do. 70

As will be hereafter explained, exemption is granted to those occupiers of land for the purposes of husbandry only, the annual value of which does not exceed £480 per annum, providing that they possess no source of income other than the profits from such occupation.

In order to make the exposition of this rather intricate subject as clear as possible, it is divided into the following classes:—

- Class 1.—The schedules under which the tax is charged, and their application.
- Class 2.—The method of making the assessments.
- Class 3.—Appeals, and the preparation of accounts for submission to the Commissioners.
- Class 4.—Legal cases bearing upon agriculture.
- Class 5.—Forms filled up by way of example.

**CLASS I.**

Income tax is assessed under five schedules (or classes) the rate per £ being the same in each. They are as follows:—

Schedule A.—This is the tax upon the owners of lands and houses in respect of the proprietorship of the property in them, and is commonly called “landlord’s property tax.”

Schedule B.—This is the tax upon the benefit derived from the occupation of land.

Schedule C.—This does not touch agriculture.

Schedule D.—This schedule is devoted to incomes from trades, professions, and other occupations in life, and also income not included in the other schedules under which the tax is charged.

Schedule E.—This does not touch agriculture.

**Schedule A.—**

As regards the assessment under Schedule A, duty was formerly charged upon the full annual value or “rack rent” (viz.: the full lettable value of the property, assuming the landlord to bear the tithe and all other usual landlord’s burdens, and the tenant to bear those charges which are usually borne by the occupier), but this has been altered by the Finance Act, 1894, Section 35, which reads as follows:—

- (a) In the case of an assessment on lands, inclusive of the farm-house and other buildings (if any), the amount of the assessment shall for the purposes of collection be reduced by a sum equal to one-eighth part thereof; and
- (b) In the case of an assessment upon any house or building (except a farm-house or building included with lands in assessment), the amount of the assessment shall for the purposes of collection be reduced—



- (1) Where the owner is occupier or assessable as landlord, or where a tenant is occupier and the landlord undertook to bear the cost of repairs, by a sum equal to one-sixth part of that amount; and
- (2) Where a tenant is occupier, and undertook to bear the cost of repairs, by such a sum not exceeding one-sixth part of that amount as may be necessary to reduce it to the amount of rent payable by him.
- (c) As between the owner and a mortgagee of his property, or any person having a charge thereon, or entitled to any ground rent, rent-charge, annuity, or other annual sum payable thereout, the owner's right of deduction under the Income Tax Acts in respect of income tax shall be in no wise prejudiced or affected by the relief afforded by this section.
- (d) Where the amount of the assessment in the case of lands (inclusive of the farm-house and other buildings) is more than one-eighth, and in the case of any house or building (except a farm-house or building included with lands in assessment) is more than one-sixth, below the rent after deducting from such rent any outgoing which should by law be deducted in making the assessment, this section shall not apply.

From the above section it will be seen that the gross annual value is reduced for the purposes of collection as under:—

- (a) Land and farm-house and farm buildings, by one-eighth.
- (b) Houses and buildings, other than farm-house and farm buildings, by one-sixth.

N.B.—Where a “repairing lease” exists the rent does not represent the “full annual value.” Example 3, given below, will illustrate such a case as this.

Example 1.—*Occupier not being owner*:—

Rent £300 per annum, landlord bearing tithe (£40), land tax, and repairs; the rent includes three cottages, which are let with the farm, and the annual value of each of which is £6 per annum. Method of arriving at Schedule A assessment:—

Rent in full, as above .. .. .	£	s	d
	300	0	0
Less Tithe (assuming that the tithe owner has made a return for an assessment in one sum) .. .. .			
	40	0	0
	£260	0	0
<i>Deductions :—</i>			
Land Tax .. .. .	£3		
Repairs—			
(a) One-sixth of £18 (cottages coming under Sub-sec- tion (b) of Section 35) ..	3		
(b) One-eighth of £282 (£300 less £18) .. .. .	35	5	
Total deductions ..		41	5 0
Net Assessment under Schedule A	£218	15	0

In this case the assessment under Schedule B (which refers entirely to the tenant) is one-third of (the full annual value of the farm) £282—viz., £94—and the tenant, unless he possesses another source of income, is entitled to exemption.

**Example 2.—Occupier being also owner :—**

Farm consisting of 300 acres and a homestead, the land being of the value of £2 per acre (total £600), and the homestead being value £36; the tithe is £60 per annum, and the land tax is redeemed.

Full annual value of Land and Homestead ..	£636
Deduct Tithe as above mentioned .. ..	60
Deductions as per Section 35—	576
Repairs, one-sixth of £36 (homestead) ..	£6
„ one-eighth of £600 (full annual value of land) .. ..	75
	81
Amount of Assessment under Schedule A	£495

The assessment under Schedule B would be one-third of the full annual value (£600), which would amount to £200.

N.B.—Where the *owner is also occupier* the homestead is assessed on the basis of a “private house,” and is consequently charged with Inhabited House Duty on the higher scale; the amount allowed for repairs is one-sixth of the annual value.

Where the occupier is *not* the owner, the allowance for repairs is one-eighth of the full annual value, and the homestead is assessed for Inhabited House Duty at the rate fixed for business premises.

Example 3.—*Repairing Lease*.—

A house rented at £60 per annum, tenant bearing the cost of repairs; the Commissioners decide (upon appeal) that the full annual value is £66 per annum.

Although Sub-section (b) of Section 35 allows, in the case of house property, one-sixth off for repairs, in this case the allowance cannot exceed £6, as the net assessment must not be reduced below the actual rent paid in the case of a repairing lease.

In regard to the allowance of the tithe rent charge for purposes of the Schedule A assessment, the reader is asked to note that where the tithe owner *has not been directly assessed* this deduction is not made; but in such cases the owner of the land is entitled to deduct tax upon the tithe which he pays to the said tithe-owner, and thereby obtains a return, indirectly, of the additional tax which he has paid under Schedule A.

Example 4.—Occupier not being owner, *but owner paying rates*.—

Tithe free (redeemed), rent £400, to include house, value £42; rates are £36, land tax (paid by owner) £10.

	£	s	d	£	s	d
Rent in full, as above .. ..				400	0	0
Less Rates paid by Owner ..				36	0	0
				<u>£364</u>	0	0
<i>Deductions :—</i>						
Land Tax .. .. .	10	0	0			
Repairs, one-eighth of £364 ..	45	10	0			
					<u>55</u>	10 0
Net Assessment under Schedule A				<u>£308</u>	10	0

In this case the assessment under Schedule B is one-third of £364—viz., £121 6s. 8d.

Income tax, Schedule A, although a charge upon the income of the landlord, is payable by the tenant, excepting in the case of—

- (a) Houses of an annual value of less than £10 per annum.
- (b) Land let for a less term than one year.

In the case of these exceptions the landlord is the person from whom the tax is legally and directly recoverable, but otherwise the tax is chargeable upon the occupier, who is entitled to deduct the sum paid by him from the next payment of rent made by him to the landlord after payment of the tax, and the landlord must allow the deduction under a penalty of £50. The landlord is not, however, bound to allow (a) more than the tax upon the actual rent at the current rate, or (b) more than the actual tax paid by the tenant.

It is very usual, in the case of large agricultural estates, for the landlord's agent to pay the whole of the property tax (Schedule A) charged on the estate direct to the collector, thereby saving the tenants the trouble of paying it themselves and deducting it in the manner just described. By the Finance Act, 1896, Section 28, the landlord has the right to appeal against income tax which is assessed upon his tenant (the occupier), and this is a great convenience.

**Schedule B.—**

This tax is charged upon all occupiers of land (with certain exceptions where the assessment is made under Schedule D), and the basis of assessment is one-third of the full annual value, which proportion is assumed to be the ratio of profit obtained by the farming community. If the said full annual value does not exceed £480 per annum, and if the occupier *is not also owner* and possesses no other income, he is (as has been previously mentioned) entitled to exemption, the reason for this being that one-third of £480 *does not exceed* (to use the words of the Act) £160 per annum.

An occupier of land for the purposes of husbandry only is not compelled to accept the assessment of one-third of the annual value of his holding, but may adopt either one of the following courses :—

- (a) Under the Income Tax Acts, 1851 and 1853, as amended by the Inland Revenue Act, 1880, he may (should his profits fall short of the sum assessed), within three months of the expiration of the year of assessment by giving notice to the Surveyor of Taxes for the district, appeal to the Commissioners for a reduction of the assessment to the actual profits proved to have been made, and for repayment of the tax overpaid.
- (b) By the Customs and Inland Revenue Act, 1887, he may, by giving notice within two months of the commencement of the year of assessment (*i.e.*, by June 5), elect to be assessed under Schedule D. This privilege will be referred to under the head of Schedule D (see page 66).

In order to avail himself of the above provisions it is absolutely necessary that the farmer should have a proper system

of bookkeeping, taking annually a complete account of his Live and Dead Stock, Unexhausted Manures, and Tenant Right.

**Schedule D.—**

Income tax under this schedule is chargeable upon (1) profits from trades, professions, and employments; (2) interest not already taxed by deduction (example: interest on money at deposit); (3) Colonial and foreign securities; (4) Colonial and foreign possessions; (5) Any income not chargeable under any of the foregoing heads.

The bases of the assessment are as follows:—

In Division (1) The full average profits of the three years preceding the year of assessment.

(2) The full amount arising from such interest during the preceding year.

(3) The amount receivable during the year of assessment.

(4) The average of the actual amounts received in the United Kingdom during the three years preceding the year of assessment.

(5) According to circumstances.

N.B.—The profits derived from the hiring out of farm implements, and also fees for the service of entire horses, are assessable under Schedule D, and are in addition to the Schedule B assessment.

Farmers, who in the ordinary course would be assessed under Schedule B, may, if they so elect, be assessed under Division No. 1 of Schedule D, as explained on page 65.

**METHOD OF ASSESSMENT.****Schedules A and B.—**

Once in every five years (the next occasion being in 1903) an entirely new assessment is made, and for this purpose forms, which are of two kinds, are served upon every occupier of houses, land, and buildings, and owners of tithes and lease fines. In the case of houses of less annual value than £10, and in the case of lands let for a less term than one year, these forms are served upon the landlord.

The only form which will be considered here is that which refers to agricultural land, farm-house, and farm buildings, and this is known as No. 10 A—a copy of it being given at the end of the book, page 89—and the reader is asked to refer to it in connection with the following explanations:—

*Space No. 1.* applies to all land occupied by owners.

*Space No. 2* applies to land the occupiers of which are not the owners.

*Spaces Nos. 3 to 6.*—As this work is intended primarily for the use of persons engaged in the pursuit of husbandry these spaces will not be dealt with.

Attention is called to the last page of the form, which is provided for the purpose of the claiming of exemption or abatement by those persons whose incomes, from all sources, entitle them to such allowances.

This page should be filled up strictly in accordance with the instructions contained thereon, particular attention being given to the following points:—

*In Space No. 1.* (a) Profits from occupations other than agriculture (in case a person should be carrying on, or have an interest in, such an outside business).

(b) Income from house and landed property.

(c) Profits from the occupation of land (viz., one-third of the *full annual value*, as defined on page 60.

(d) Any other income (stating whether tax has been deducted before receipt).

*In Space No. 2.* Care should be taken to include here particulars of all encumbrances on property owned, and interest upon borrowed capital, the total of the charges in this space being deducted from the total income as set forth in Space No. 1, the balance being the *net income* of the person who is making the claim for exemption or abatement. Immediately upon receipt of the form it should be filled in, great care being taken to give all information in an accurate manner, and returned to the assessor from whom it is received; but should the person who receives it be desirous of being assessed under Schedule D, he should without delay send to the Surveyor of Taxes of the district in which he resides a notice that he so intends, and a request that a form applicable to assessment under Schedule D be sent to him. A personal interview with the Surveyor of Taxes is very desirable and may clear many difficulties out of the way, perhaps leaving the impression that income tax assessments are more easily negotiated than is generally considered to be the case.

#### **Schedule D.—**

Once in each year, generally in the month of April, a form is delivered to—



- (1) Every occupier of agricultural land and buildings who has made application to have his profits assessed under this schedule instead of under Schedule B.
- (2) Any other person, company, or public body whose profits or income are liable to be taxed under this schedule.

In filling up the form the following information must be given:—

- (1) Profits from trade or business, profession, employment, or vocation engaged in. It is advisable that Profit and Loss Accounts for the three last completed years prior to the year of assessment should be attached.
- (2) The buying or selling of stocks or shares.
- (3) Letting furnished houses.
- (4) Interest of money from which tax has not been deducted prior to its receipt.
- (5) Profits from Colonial and Foreign possessions.
- (6) Profits from property not coming under any of the foregoing heads.

*Deduct* (a) Premium for life assurance paid to any company registered pursuant to 7 & 8 Vict., cap. 110. No allowance can be claimed for premiums payable to Foreign or Colonial companies, and a list of those companies whose premiums are allowable as deductions is kept at the office of the Surveyor of Taxes for the district.

N.B.—(a) No allowance can be claimed under this head beyond one-sixth of the total net income. (b) Assurance premiums may be deducted for the purpose of reducing the assessment, but not as a means of obtaining exemption or abatement.

Example.—The net income (before deducting life assurance premium, £30) is £420. The deduction of the premium reduces this to £390. The person assessed is only entitled to £150 abatement, his income being taken to exceed £400.

(g) State whether you desire to be assessed by—

- (a) The Local Commissioners under a number or letter.
- (b) The Local Commissioners under your own name.
- (c) The Special Commissioners.

In case (a) the form, when completed, should be sent to the clerk to the Commissioners.

In case (b) it should be returned to the assessor from whom it is received.

In case (c) it should be sent to the Surveyor of Taxes, and the envelope should be marked "for special assessment."

The only business or employment with which it is intended to deal here is that of the occupation of land for the purposes of husbandry, where the occupier has elected to be assessed under Schedule D.

*On page No. 2 of the form spaces are provided for—*

(a) Declaration by—

- (1) Acting partner of the firm.
- (2) Person who wishes to be assessed in another town where he is carrying on business.
- (3) Partner who desires to be separately assessed.
- (b) Claims in respect of life assurance premium on own life, or that of wife. The receipt for the last premium paid should be attached to the form.
- (c) Claims in respect of wear and tear of machinery and plant.

*Page 5.*—This is the last page of the form, and provides for claims of exemption or abatement to which incomes not exceeding £700 per annum are entitled (see page 59). This page is similar to that already described on page 68.

In arriving at the profits, the following items of expense are *not* allowable as *deductions*.:—

- (1) Interest on Capital, or Expenditure properly chargeable to Capital Account.
- (2) Partners' Salaries.
- (3) Improvements to, or depreciation of, Lands, Buildings, or Leases.
- (4) Private Expenditure.
- (5) Income Tax.
- (6) Donations.
- (7) Life Assurance Premiums
- (8) Depreciation

} *Allowance* may be claimed,  
on page 2 of the Form,  
in respect of these items  
as explained above.

Income tax under Schedule D is chargeable, in the case of profits from agriculture, upon the average of the three completed years immediately preceding the year of assessment, except where a new business has been set up within that period, in which case the average yearly profits from the time of its commencement is taken. Under Schedule D, in the case of a person commencing to carry on a farm business who applies to be assessed under that schedule, the applicant will not be in a position to render a Profit and Loss Account until he has completed his first year's working, and he will not be able to complete the Form of Return until this time comes. Under these circumstances the Surveyor of Taxes will, upon application, generally allow the assessment for such period to stand over until the first year's accounts are completed. In subsequent years in the month of April the farmer will be supplied

with the Official Form No. 10 D by the Surveyor of Taxes, to whom it should be returned before the following June 6.

It is assumed by the writer in the first example which will be given, and which refers to the case of a farmer who commences business on February 2 1901, that such person has no income other than the farm profits (see example given on page 73).

On page 3 of the form he will fill in the amount which he has previously stated on page 1, and will claim the exemption or abatement to which he is entitled. He will pay tax in January 1903 on the actual profits for the year ended February 2 1902, less the relief by way of abatement, exemption, life assurance premium, &c., to which he is entitled.

When February 2 1903 arrives the farm accounts are balanced, and the profit ascertained, but no return need be made to the authorities until the Official Form No. 10 D is received in the April following, when the average profit of the two years ended February 2 1902 and February 2 1903 respectively should be ascertained and entered on the form in the manner previously described.

February 2 1904 comes round, the accounts are again balanced and another Profit and Loss Account is prepared, and the next step necessary is to ascertain the average profits for the three years which have now been completed, and in due course, upon receipt of the Form of Return No. 10 D. in April 1904, to enter such average profits thereon, again making the claim for whatever relief to which the person assessed is entitled.

In January 1905 he will pay tax upon an assessment made according to the return which he has sent in in April 1904 (and which was based upon the average profits of the three years ended February 2 1904), and he should compare the amount of such assessment with the profits actually resulting, as shown by

the accounts for the year ended February 2 1905. Should he find that the *average* on which he has paid tax is in excess of the latter, he should take such action for the recovery of the tax paid upon this excess (which represents the sum by which he has been over-assessed) as is mentioned later on under the head of "Appeals."

The reader is asked to utilise the example which will now be given as an assistant in following the foregoing explanations.

*Example.*—On February 2 1901 X. commenced farming, and in the month of April following he gave the Surveyor of Taxes notice that he desired to be assessed under Schedule D for the current and future years, but that he would not be in a position to make a statement of profits or to fill up a Form of Return until he had prepared his Profit and Loss Account on February 2 1902. He makes an appointment with the Surveyor of Taxes, and an interview results in that official consenting to allow the assessment to stand over in accordance with the request.

- (1) On February 2 1902 the accounts are balanced, and the profit is found to be £380. By reason of X. having no other income than the farm profits he claims, and is allowed, an abatement of £160, and pays tax therefore on £220 (*viz.*, £380—£160).
- (2) In April 1902 he receives Form No. 10 D, and on page 1 of this he states the profit at £380, and claims an abatement of £160 on page 3.
- (3) On February 2 1903 the farm accounts are balanced, and a profit of £300 for the year, which ends on that date, is ascertained. Thus the profits for the two completed years are:—

Year ended February 2nd 1902	...	£380
Ditto ditto 1903	...	300

He will, presumably, have paid tax in January 1903 on an assessment of £220 (*viz.*, £380—£160), but, *the profits of the year of assessment* falling short of this sum, he is entitled to claim repayment of the tax upon the difference (*viz.*, £80).

- (4) In April 1903 he receives Form No. 10 D once again, and he will enter therein his profits at the sum of £340 (*viz.*, the average of the two completed years prior to the year of assessment), and will claim an abatement of £160 in the manner described before.
- (5) In January 1904 he pays tax upon £180 (£340—£160).
- (6) On February 2 1904 the farm accounts are once more balanced, and the profits for the year ended this date are ascertained to be £424, thus:—

Profits for Year ended February 2nd 1902 ...			£380
Ditto	ditto	1903 ...	300
Ditto	ditto	1904 ...	424

As the profits for the year of assessment (£424) are in excess of the sum upon which X. has been assessed (£340), he has no ground for appeal; and, moreover, the Inland Revenue Authorities have no power to claim tax on the amount by which the profits of the year exceed the assessment.

- (7) In April 1904 the usual form is received, and the amount to be stated therein as the average profits for the three last completed years is £368 (*viz.*, £380 + £300 + £424 = £1,104, average £368). An abatement of £160 will be claimed in the usual manner.

If at the end of the year of assessment it be found that the sum upon which tax has been paid is in excess of the *actual profits of the year*, the person assessed may appeal for repayment, and should give notice of his intention to do so within twelve months of the end of the year of assessment.

For the year 1904-5 X. will have paid tax on £208 (£368—£160), being the average profits of the three years ended February 2 1904; but upon completion of the year ended February 2 1905, he ascertains that a profit of £250 only has been made, and this is less than the sum upon which he has been assessed.

His claim for repayment will be as under:—

Tax paid on £208 (£368—£160 abatement); average profits for the three years ended February 2 1905, £300 + £424 + £250 = £974; average, £324 $\frac{2}{3}$ , less abatement £160, the amount on which he is liable to income tax being 164 $\frac{2}{3}$ . He therefore claims repayment of tax on £43 $\frac{1}{3}$ , and the procedure in this appeal is the same as that described under Class I., Sub-division II. of Appeals (page 83).

A set of accounts are given on page 76, dealing with the years above-mentioned, and reference to them will, doubtless, explain to the reader any point upon which he is doubtful. It should be mentioned that it will save both trouble to the income tax authorities and to the person assessed if copies of the three years' accounts are attached to the form, thus explaining how the sum stated in the return is arrived at, and probably avoiding the necessity for an appeal.

## ADDITIONAL INFORMATION:

DATE	TO	BY	AMOUNT	REMARKS	DATE	TO	BY	AMOUNT	REMARKS
1911	100	100	100	100	1911	100	100	100	100
1912	100	100	100	100	1912	100	100	100	100
1913	100	100	100	100	1913	100	100	100	100
1914	100	100	100	100	1914	100	100	100	100
1915	100	100	100	100	1915	100	100	100	100
1916	100	100	100	100	1916	100	100	100	100
1917	100	100	100	100	1917	100	100	100	100
1918	100	100	100	100	1918	100	100	100	100
1919	100	100	100	100	1919	100	100	100	100
1920	100	100	100	100	1920	100	100	100	100
1921	100	100	100	100	1921	100	100	100	100
1922	100	100	100	100	1922	100	100	100	100
1923	100	100	100	100	1923	100	100	100	100
1924	100	100	100	100	1924	100	100	100	100
1925	100	100	100	100	1925	100	100	100	100
1926	100	100	100	100	1926	100	100	100	100
1927	100	100	100	100	1927	100	100	100	100
1928	100	100	100	100	1928	100	100	100	100
1929	100	100	100	100	1929	100	100	100	100
1930	100	100	100	100	1930	100	100	100	100
1931	100	100	100	100	1931	100	100	100	100
1932	100	100	100	100	1932	100	100	100	100
1933	100	100	100	100	1933	100	100	100	100
1934	100	100	100	100	1934	100	100	100	100
1935	100	100	100	100	1935	100	100	100	100
1936	100	100	100	100	1936	100	100	100	100
1937	100	100	100	100	1937	100	100	100	100
1938	100	100	100	100	1938	100	100	100	100
1939	100	100	100	100	1939	100	100	100	100
1940	100	100	100	100	1940	100	100	100	100
1941	100	100	100	100	1941	100	100	100	100
1942	100	100	100	100	1942	100	100	100	100
1943	100	100	100	100	1943	100	100	100	100
1944	100	100	100	100	1944	100	100	100	100
1945	100	100	100	100	1945	100	100	100	100
1946	100	100	100	100	1946	100	100	100	100
1947	100	100	100	100	1947	100	100	100	100
1948	100	100	100	100	1948	100	100	100	100
1949	100	100	100	100	1949	100	100	100	100
1950	100	100	100	100	1950	100	100	100	100
1951	100	100	100	100	1951	100	100	100	100

*This provision is being changed on page 2 of Form No. 10 D., and the actual depreciation for the year is calculated by multiplying the book value at the beginning of the year by the rate of depreciation.*



Another example will now be presented to meet the situation where an owner occupies his own farm. The same accounts as just given will be used, but the person charged will be presumed to also possess dividends amounting to £20 per annum, from which income tax is deducted prior to receipt by him. It will be assumed that a mortgage exists on the farm of £800, on which interest is paid at  $3\frac{1}{2}$  per cent, per annum, and that income tax is deducted (as it should be) from the interest when same is paid to the mortgagee. A life assurance premium of £20 per annum is paid to a British office. It will be seen that the Inland Revenue Authorities allow the mortgage interest to be deducted from the income for the purpose of claiming exemption or abatement, but *not* as a charge against profits; and the reason for this is that the payer reimburses himself by deducting tax from the mortgagee's interest, and so it would not be fair that he should also charge the interest against profits. Were he to do so he would derive a benefit at the expense of the Crown.

*Example II.*—A commencement is made at the profits as ascertained in the last accounts, and which are presumed to be made in this case also; the mortgage interest and rent are adjusted, and the Schedule A value of the farm is charged against the profits as an equivalent of rent (tax having been paid on such value under Schedule A), as otherwise tax would be paid on the annual value of the land both under Schedule A and in the profits derived from the farm.

Example.—

Dr.

	Cr.		
	Year ended Feb. 2 1902	Year ended Feb. 2 1903	Year ended Feb. 2 1904
N.B.—Mortgage Interest is not chargeable against Profits for Income Tax purposes, so it is not entered here.	£	£	£
To Schedule A Assessment :— Full annual value £220 Less Tithe .. 30			
Less ½ repairs on farmstead .. .. 190			
„ Schedule A Value .. .. 25	165	165	165
„ Tithe .. .. 20	30	30	30
„ Repairs to Freehold .. .. 18	20	25	18
„ Profit carried down .. ..	385	300	431
	600	520	644
By Profit brought down to be entered on page No. 1 of Form 10 D. (See next page) .. ..			
	385	300	431

The Form of Return 10 D is in this case (the occupier being also owner) filled up as follows:—

On Page 1.—Profits from the occupation of husbandry carried on by me at ———— for the three years ended February 2 1904, as per accounts submitted:—

Year ended Feb. 2 1902	..	..	£385
„ „ Feb. 2 1903	..	..	300
„ „ Feb. 2 1904	..	..	431
			<u>£1,116</u>

One third, being average carried to				
page 3	..	..	..	£372

On Page 2.—Life assurance premium as per renewal receipt attached, £20.

Depreciation of plant and machinery would be claimed on this page, and the amount allowed would be deducted from the assessment for the year.

On Page 3 a claim of abatement to the extent of £120 is made on account of the income from all sources (including the value of the farm) not exceeding £600, but exceeding £500.

**Claim of Abatement.—**

No. 1.—Particulars of income from all sources, whether taxed or not—

Average profits, as set forth on page 1	..	..	..	£372
Dividends on shares (tax deducted prior to receipt)	..			20
Schedule A. Value of the farm occupied by myself..	..			<u>165</u>
Total income from all sources				557

No. 2.—Particulars of deductions from such income on account of mortgage £800 to @ 3½ % (on farm)

				<u>28</u>
Total amount of income from all sources, after deductions				<u>£529</u>

As just mentioned, X is entitled, under the existing laws, to an abatement of £120. Income tax will therefore be paid as follows :—

On the farm under Schedule A, on ..	£165
On the dividends (by way of deduction) .. .. .	20
On profits under Schedule D, £372 (less abatement £120, and Life Assurance premium £20) .. ..	232
Total .. .. .	417
Tax will be recovered from the mortgagee on interest .. .. .	28
Net amount .. .. .	<u>£389</u>

viz., £529 as above, less £120 abatement and £20 premium,

The usual declaration appears at the foot of the form on page 3, and this should be signed.

The Forms of Return under Schedules A, B, and D having been filled up and returned to the Assessor (or Surveyor) from whom they were received, and the assessment having been duly made thereon, notices containing the following information are served upon the persons assessed :—

- (1) The schedule under which the assessment is made.
- (2) The amount of the assessment.
- (3) The amount of allowance by way of abatement, life assurance premium, or depreciation.
- (4) The amount of allowance for repairs (this refers to Schedule A only).
- (5) The net amount upon which tax is payable, and the amount of the tax (which will be payable on the 1st of January following).
- (6) The date upon which the Commissioners will hear appeals.

Immediately upon receipt of this notice it is important that the person assessed should compare the figures contained therein with the figures in the form which he has recently filled up (a copy of which he should have retained); and, if he finds that the authorities have assessed him at a higher sum than is contained in the said form, he should at once attend upon the Surveyor of Taxes, obtaining an appointment with that gentleman beforehand, and ask the reason why the return which he has made has not been accepted.

Possibly the over-assessment is due to an error, and if this is the case it is soon put right; but, on the other hand, the Form of Return may have been misunderstood by the occupier and the wrong information given by him, or the Surveyor of Taxes has perhaps some doubt as to the accuracy of the profits, as contained in the Form and the accounts attached thereto, and will not accept the figures stated upon his own responsibility, but requires the person assessed to appear before the Commissioners and substantiate them, or to pay on an increased assessment. Accounts which are certified by a professional accountant will almost invariably be accepted by the Surveyor of Taxes as proof of the accuracy of the figures contained therein, and consequently the increased assessment or the appeal to the Commissioners may be avoided if accounts are so certified. An interview with the Surveyor of Taxes will clear the air considerably, and the person assessed can ascertain whether it will be necessary for him to appear before the Commissioners upon the date fixed for hearing appeals, or whether, upon his clearing up the differences which exist, the Surveyor will be in a position to deal with the matter himself, and so save further trouble.

It is the general experience of those who have many interviews with Surveyors of Taxes that if they are approached (*a*) by appointment, (*b*) in a courteous manner, (*c*) with the evident

intention of stating fully and truly all the information at one's command, they invariably give each case careful attention, and do not hesitate to deal with it summarily if it is within their power to do so. Surveyors of Taxes cannot agree to reductions of assessments where substantial proof is not forthcoming without taking considerable responsibility upon themselves, consequently it is not reasonable to expect to be saved the inconvenience and trouble of an appeal, unless the person assessed can produce solid information as to the accuracy of the return which he has made. Surveyors of Taxes have no legal power to discharge assessments, or to make reductions; but their taking such responsibility upon themselves when they are satisfied as to the correctness of the figures before them saves the public a vast amount of trouble.

#### **Life Assurance Premium.—**

In filling up page 2 of the Form of Return 10 D an allowance was claimed of £20 for premium paid on this account, and the Surveyor of Taxes will, if the renewal receipt has not been sent to him, apply for it as evidence of payment.

Upon receiving it, he will impress his stamp upon it and return it. It is customary when an allowance in this respect has been once granted, and the claim is regularly made on the usual form, to continue the allowance, providing the amount claimed in any one year does not exceed the previous year's allowance.

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### **APPEALS.**

Appeals may be divided into two classes, viz. :—

*Class 1.*—Against an assessment which has just been made and before payment of the tax, and this class is subdivided as follows :—

- (a) Appeals against assessments under Schedules A and B, in which cases the point in dispute is the Annual Value of the property.
- (b) Appeals against assessment under Schedule D, to carry which through successfully it is necessary to produce accounts on lines similar, or somewhat similar, to those already indicated.

*Class 2.*—Appeals for the repayment of tax over-paid, and this is sub-divided into:—

- (a) Appeals on the ground of over-charge—viz., that the sum assessed is in excess of the Annual Value or Profit.
- (b) On the ground that the abatement or exemption to which the person assessed is entitled has not been allowed, and that the tax has been paid upon the full income.

**Method of Appeal.**—

*Class 1. (a).*—The annual value of the land or buildings is here in dispute, and the occupier—should he be also owner—should produce his latest poor-rate receipt as evidence that the Assessment Committee of the local guardians have fixed the value of his property at the sum returned by him on the Form No. 10 (which he is required to do once in every five years). This would in the ordinary course be sufficient authority to the Commissioners to grant a reduction of the income tax assessment to the gross sum as shown in the poor-rate receipt.

Should the occupier be tenant only (as is generally the case), and the landlord take no part in the appeal—although he has power to do so (Finance Act, 1896, s. 28)—the document creating and governing the tenancy should be produced. This, unless it can be proved that a beneficial occupation exists—

viz., where a landlord lets property to his tenant at a rent below the annual value, or at no rent at all in order to confer a benefit upon the tenant, or that the terms of the lease are such as to bring other factors except the rent into consideration (*e.g.*, the tenant bearing landlord's burdens)—will be sufficient proof to enable the Commissioners to make the reduction to the actual rent paid.

A tenant should not only pay attention to the assessment of his holding for income tax purposes, but he should also see that the assessment for local rating is in accordance with the terms of his lease, and if the Assessment Committee of the local guardians—generally a very practical body—fix a higher sum than is contained therein, it is advisable to at once obtain the co-operation of the landlord in securing a reduction to the correct amount.

The Income Tax Authorities generally use the poor rate assessment as a guide in fixing the value of properties, and it is probable that an excessive assessment for rating purposes will be promptly followed by a like excessive assessment for income tax purposes.

If the annual value fixed by the Income Tax Commissioners does not exceed the poor-rate assessment (gross), the success of an appeal to them is not probable; the appellant will probably be informed that he must first of all obtain a reduction of the latter, and then produce a certificate of such reduction, or after payment of a rate upon the reduced assessment he should produce the receipt itself. This course is, moreover, natural, as rates are a much heavier burden than income tax.

*Class 1 (b).*—In this class of appeal it will be necessary for the appellant to forward Profit and Loss Accounts to the Surveyor of Taxes, prepared on the lines indicated, at least ten days before the appeal. On appearing, he should produce his



account books (if his accounts are kept upon the system contained in this book, it will be sufficient if he produce the Tabular Ledger).

In bringing the consideration of appeals under Class 1 to a close, it should be stated that the decision of the Commissioners upon appeal is final, *except upon a point of law*. Should either the appellant or the Surveyor of Taxes be dissatisfied with the said decision, as being erroneous upon a point of law (not upon a point of fact, there being no appeal from their decision as to facts), he should at once express his dissatisfaction, and within twenty-one days call upon the Commissioners, by notice to their clerk, to state a case for the opinion of the High Court.

Under no circumstances should a person appealing against an assessment under Schedule D attend with his Bank Pass Book only, or with a Profit and Loss Account unsupported by his books, or uncertified, as is often the case; because these do not constitute evidence which it is reasonable to expect the Commissioners to accept as conclusive.

*Class 2 (a).*—The procedure in this case is similar to that described in regard to Class 1 (*b*). To make a claim on either of the grounds referred to under this section it is necessary that such claim be lodged within three years of the conclusion of the fiscal year to which the tax overpaid relates. If this is the first occasion upon which a claim has been made, application should be made to the Surveyor of Taxes of the district in which the claimant resides for a form upon which to prefer it. This should then be completed in accordance with the instructions contained on the form, and should be accompanied by vouchers for the tax paid in reference to each source of income. Upon allowance of the claim a money order will be received from Somerset House, and also a form upon which any subsequent claim should be made. The preservation of this

form is necessary, as its loss will give the trouble of applying to Somerset House for another.

At the close of this work examples of the following forms are given :—

Form of Return No. 10 A.—Assessment under Schedules A and B (quinquennial).

Form of Return No. 10 D.—Assessment of persons occupying land, &c., for the purposes of husbandry who elect to be assessed under Schedule D.

Form of Claim No. 40 A.—Claim for repayment of tax overpaid upon the ground of abatement.

Form No. 40, which refers to exemption, is similar to 40 A.

Form of Claim No. 79 D.—Appeal against assessment under Schedule B on the ground that the ascertained profits fall short of the said assessment (upon which tax will have been paid).

Some of the leading cases which relate to agricultural income tax are also given, but these are extremely few.

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### FARMING.—MARKET GARDENING.

In concluding the subject of "Income Tax as relating to Agriculture," there is one point which must be referred to, because it is becoming of greater importance to agriculturists every day. Some time ago it was customary to devote nearly all of the attention to the growing of grain and the raising and feeding of live stock as the sources from which the profits of the farm were to be derived, but this is steadily, yet surely, undergoing a change. Farmers are now opening out their business by growing fruit, not in the old style, but as a crop to itself,

bush trees or half standards being used, the land between the trees being cultivated, and potatoes, vegetables, or small fruit being grown thereon. In fact, the farmer is steadily enlarging the scope of his undertaking to include the market gardening element. Market gardeners are not "occupiers of land for the purposes of husbandry" within the meaning of the Income Tax Acts, and therefore the privilege of assessment under Schedule B—viz., upon one-third of the full annual value of the holding—is *not* extended to them. They are assessed, in the same manner as other businesses, under Schedule D.

It seems difficult to understand why a person who utilises a small farm of, say, thirty acres entirely for the purpose of growing apples, plums, strawberries, currants, &c., for market should be placed outside the bounds of Schedule B, whereas the person who occupies a similar holding solely for hop-growing—an equally concentrated method of utilising the land, and one which brings equally valuable results—comes within the said schedule, and is therefore assessed upon one-third of the annual value. What constitutes a market gardener? The farmer grows fruit for profit, the market gardener does the same, and often in a similar manner, and it is difficult to arrive at the essential point of difference between them. But it may be accepted that the person who occupies the land *solely* for the growing of fruit, including "small fruit," is a market gardener; and he who is a *bonâ fide* farmer, yet uses a portion of his farm in fruit-growing carried on in an up-to-date manner, comes under the official interpretation of a husbandman. The decision upon this difficult point lies entirely with the Commissioners, who are the final judges in the matter, as on all questions of fact.

To assess a farmer upon a part of his holding as a market gardener, and upon the other part as an "occupier of land for the purposes of husbandry," would be a very difficult task; and

this fact, doubtless, has weight with the Commissioners, who seldom undertake such divided assessment. There would appear to be no danger to the farmer, by way of being deprived of his Schedule B assessment, should he take a leaf out of the market gardener's book ; and in taking this course the Commissioners are perhaps giving a small encouragement to agriculturists to adopt as many paying methods as possible.

Income tax is a difficult subject to deal with, and one which is probably not understood by the tax-paying public as it should be ; but it is hoped that the foregoing pages, which will be read in conjunction with the Official Forms at the close of the book, will serve to explain that portion which affects the agricultural community.

**Form No. 10 A. ASSESSMENT OF LANDS, FARMHOUSE, AND FARM BUILDINGS, &c.**  
Form of Return to be made *once in every five years.* Year 190 , ending 5th April 190 .  
STATEMENT TO BE RETURNED BY EVERY OCCUPIER OF LANDS, TENEMENTS, AND HEREDITAMENTS.

No. 1.—LANDS AND TENEMENTS.—This space to be filled up by OWNER, where the Property is in his own Occupation.				Tithe Rent- Charge						
1 Christian and Surname of the Person being Owner and Occupier		2 Description of Property (e.g., "Land," "House," "Nursery," or "Market Garden")	3 Extent of Land in Owner's occupation, including Gardens, Pleasure Grounds, Woods, Plantations, &c.	4 Full Annual Value at which the Property is worth to be let by the Year	5 Amount of Tithe Rent-Charge paid for the preceding Year in respect of Land in hand	Deductions			9 Total Amount of Tithe Rent-Charge paid or payable for the preceding Year to the <i>Tithe Owner</i> (under the Tithe Act, 1891), in respect of all Titheable Lands in the Parish belonging to and in the occupation of the Landlord or his Tenants 9 : See Note.	
						6 Amount of Land Tax paid for the preceding Year	7 Amount of Public Rate or Assess- ment for Drainage, Embankments, or Fencing, which was paid for the preceding Year; also, the amount expended by the Landlord on an average of the 21 preceding years, in the making or repairing of Sea Walls or other Embankments, for protection against the Sea or Tidal River	8 Amount of any Modus, or Composition Real in lieu of Tithes		
In the Parish of .....										
In the Parish of .....										
In the Parish of .....										
In the Parish of .....										

† *Note to Column No. 9*—In cases where the Tithe Owner is personally assessed for the Tithe Rent-Charge, it will save trouble to Landlords and their Tenants in procuring an adjustment of their assessments under Schedule A if Landlords will furnish a List of the several holdings belonging to them in respect of which Tithe is payable, together with the amounts paid or payable in each case for the year 190 . Where a Tenant is under Contract to pay the Tithe in addition to the Rent (Tithe Act, 1891, Section 1), the fact should be so stated in the List.

Form No. 10A.—*continued.*

No. 2.—LANDS AND TENEMENTS.—This space to be filled up by OCCUPIER, not being OWNER.

1	2	3	4	5	6	7	8	9	10	11	12
Christian and Surname of the Tenant	Christian, Surname, and Residence of the Owner	Description of Property, (e.g., "Farm," "Land," "House," "Nursery," or "Market Garden")	Acreage of Land held under each Owner	Date of Lease or Agreement, and whether granted for any consideration, in money, in addition to the Rent, or upon any condition as to laying out money in Improvements	Amount of Rent See Note *	State (Yes or No) whether the amount of Rent entered in the preceding column includes the Tithe Rent-Charge on the Land	Amount of Tithe Rent-Charge, if any, paid for the preceding Year, in addition to the Rent	In the case of Houses, state whether the Tenant undertakes to bear the cost of Repairs	Amount of Land Tax paid for the preceding Year, and whether allowed to the Tenant by the Landlord	Amount of Public Rate or Assessment for Drainage, Embankments, or Fencing, which was paid for the preceding Year; also the amount expended by the Landlord on an average of the 21 preceding years, in the making or repairing of Sea Walls or other Embankments for protection against the Sea or Tidal River	Amount of any Modus or Composition Real in lieu of Tithes
In the Parish of.....			A. R. P.		£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
In the Parish of.....					£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
In the Parish of.....					£ s d	£ s d	£ s d		£ s d	£ s d	£ s d
In the Parish of.....					£ s d	£ s d	£ s d		£ s d	£ s d	£ s d

\* *Note*.—The full amount of Rent Payable under Lease or Agreement is to be entered in Column No. 6, *not* the Rent paid after deducting the amount of any temporary abatement or remission of Rent allowed by the Landlord. Any Annual sum paid for Interest of Money expended by the Owner in Drainage or other improvements is to be entered in Column No. 6 separately from the Rent.

**Form No. 10A.—continued.**

**No. 3.**—This space to be filled up by Persons receiving any PAYMENT IN LIEU OF TITHES, &c., where the Income Tax is not deducted

Description of Profits	Description of Property, with the <i>name of the person to be charged</i>	Gross Annual Value of Profits without any deduction whatever
Rent-Charge, under Tithe Commutation Act, according to the Amount received or receivable for the Year 190 . . . . .		
Dues and Money Payments in <i>right of the Church or by Endowments</i> , or in lieu of Tithes (not arising from Lands) on an average of the three preceding years (Under this head Surplice Fees and Easter Offerings must be returned.)		
Compositions, Rents, or other Payments, in lieu of Tithes, arising from Lands (except Rent-Charge under Tithe Commutation Act) on the Amount of the preceding Year		

Deductions which may be claimed from an Assessment on Tithe Rent-Charge where the Owner makes a return for Assessment thereof:—

Amount of Tenths, First Fruits, Duties and Fees on Presentations, paid within the preceding Year	.. .. .	£
Amount of Payments for Procurations and Synodals, on an average of seven preceding Years	.. .. .	£
Amount expended for Repairs of Collegiate Churches and Chapels, and Chancels of Churches, or of any College or Hall in any of the Universities in the preceding Year	.. .. .	£
Amount of the Parochial Rates, Taxes, and Assessments charged, in the preceding Year, wholly and exclusively in respect of Tithe Rent-Charge	.. .. .	£
Amount of Land Tax paid in the previous Year in respect of Tithe Rent-Charge	.. .. .	£
Cost of Collection where a paid Agent is employed	.. .. .	£

*Note.*—Where the Owner is not personally Assessed for the Tithe Rent-Charge. Allowances in respect of the above-mentioned Deductions can be obtained only by way of repayment.

Form No. 10 A.—*continued.*

<b>No. 4.</b> —This space is to be filled up by or on behalf of every LORD OR LADY OF A MANOR		<b>No. 5.</b> —This space to be filled up by the Receiver of any FINE paid in consideration of a demise of Lands or Tenements (except customary Fines included in No. 4)		<b>No. 6.</b> —This space to be filled up by Persons entitled to other Profits arising from Lands, Tenements, and Hereditaments not in their actual occupation, and not before stated	
The amount of the Profits of such MANOR, including Mill Dues and other Services, or other casual Profits (exclusive of Annual Rents) on an average of the seven preceding years ..	Annual Value of Profits	Description of Property, with the Name of the Person to be charged	Annual Value of Profits	Description of Property, with the Name of the Person to be charged	Annual Value of Profits
	On the full amount of such FINES received in the preceding Year, or for such lesser period since the interest therein commenced, and an Estimate of the Average Value of one Year ..				

## GENERAL DECLARATION.

I hereby declare that the foregoing particulars are, in every respect, justly and truly stated according to the best of my knowledge and belief.

Given under my hand this                      day of                      190 .

Signature in full.....

*Not.*—When the return is made by a Lady, she must state after her Signature, whether Married, Widow or Spinster, as the case may be.

*Not.*—On page 4 of this Form space is provided for the claiming of Abatement or Exemption.



**Form No. 10 D.**—Applicable to Farmers who elect to be Assessed under Schedule D.

*Vide* Customs and Inland Revenue Act, 1887.

**INCOME TAX, SCHEDULE D.**

For the Year 1894, ending 5th April 1895.

**STATEMENT of Profits or Gains derived from Lands occupied for the purposes of Husbandry only.**

STATEMENT OF SCHEDULE of Parishes in which Lands are situated and the amount of Profits or Gains	
NAMES OF PARISHES	AMOUNT OF PROFITS OR GAINS
	<p>N.B.—The full amount of Profits or Gains must be stated whether exemption or abatement be claimed or not. No deduction is to be made on account of any premium for Life Insurance, nor on account of any sum claimed for diminished value by reason of wear and tear of Machinery or Plant, but the sums claimed in respect of either should be entered in the columns provided on page 2 hereof</p>
	<p><i>Average of the three years ended February 2nd 1904 (as per accounts given on page ).. .. £372</i></p>

**GENERAL DECLARATION.**

I <sup>(1)</sup>.....do hereby declare that all the particulars required in this Notice to be returned as appertaining to me in relation to the Duties on Profits or Gains derived from Lands occupied by me for the purposes of Husbandry are in every respect fully and truly stated herein according to the best of my judgment and belief, and according to the rules and regulations of the Acts of Parliament in that behalf made, and I elect to be assessed in respect of such Profits or Gains in the Parish of <sup>(2)</sup>.....and I desire to be assessed by the <sup>(3)</sup>.....

Given under my hand this                      day of                      189 .

Signed.....

Address.....

(1) Insert Christian and Surname.

(2) Insert Name of Parish.

(3) State whether you desire to be assessed by the General Commissioners under Number or Letter, or by the Special Commissioners. If not, strike out the words in italics, "and I desire," &c.

## RULES AND REGULATIONS.

The Balance of Profits or Gains must be computed on an Average of Three Years preceding the year of Assessment; or if the occupation of the Lands commenced within Three Years, on an Average from the period of commencing the same, either ending on the Day of the Year to which the Annual Accounts of your Profits or Gains have been usually made up, or on the 5th day of April last, or if commenced within the Year of Assessment, the Profits are to be Estimated according to the best of your Knowledge and Belief, and the grounds on which the amount shall have been Estimated should be stated for the information of the Commissioners.

**In Estimating the Profits or Gains, Deductions are allowed—**

For Repairs of Premises occupied for the purposes of Husbandry and for Supply or Repairs of Implements, Utensils, or Articles employed, not exceeding the sum usually expended for such purposes according to the Average of Three Years preceding.

For Bad Debts, or such part thereof as shall be proved to the satisfaction of the Commissioners to be bad: also Doubtful Debts according to their Estimated Value.

For any Average Loss not exceeding the Actual Amount of Loss after Adjustment.

For the Rent or Annual Value of premises used solely for the purposes of Husbandry, and not as a place of Residence.

For the Rent or Annual Value of any Dwelling-House used also for the purposes of Husbandry, a sum not exceeding two-third parts of such Rent or Annual Value as the Commissioners shall allow, according to the Annual Value of the portion of the premises used for the purposes of Husbandry.

For the sum representing diminished value by reason of wear and tear of Machinery or Plant. (*See below.*)

**No Deductions are Allowed—**

On account of Loss not connected with, or arising out of Farming the Lands in your occupation.

On account of Capital withdrawn therefrom.

For any Sums employed or intended to be employed as Capital therein.

For any Sums expended in Improvement of Premises occupied for the purposes of Husbandry.

On account of any Interest which might have been made on Capital if laid out at Interest.

On account of any Annual Interest or any Annuity or other Annual Payment payable out of such Profit or Gains, the duty on which should be deducted from the person to whom the payment is made.

On account of depreciation of Land, Buildings, or Leases.

For any Disbursements or Expenses not wholly and exclusively laid out for the purposes of Husbandry.

For any Disbursements or Expenses of Maintenance of the Parties, their Families, or Establishments.

For any Sum Expended for any other Domestic or Private Purposes distinct from the purposes of Husbandry.

For any Sum paid as Income Tax on Profits or Gains, or on the Annual Value of the House and the Lands in your occupation.

N.B.—The Income of a Married Woman living with her Husband is deemed by the Income Tax Acts to be his Income, notwithstanding any settlement, or the provisions contained in the Married Women's Property Act, 1882, and he is responsible for making a due Return of any Profits belonging to her, and chargeable under this Schedule.

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### LIFE INSURANCE.

An allowance from the amount of Income may be claimed by any Person who shall have made Insurance on his Life, or the Life of his Wife, or who shall have contracted for any Deferred Annuity on his own Life, or on the Life of his Wife, in or with any Insurance Company existing on the 1st day of November, 1844, or registered pursuant to the 7 and 8 Vic., cap. 110, or in or with any Friendly Society legally established, provided that the Premiums payable to such Friendly Society shall not be made for shorter periods than 3 Months. In order to the allowance being granted in respect of such Premiums, it is necessary that the following particulars should be stated, and that the Receipts for the Premiums should, if required, be transmitted to the Surveyor of Taxes for the District, whose name and address are stated on page 1.

NOTE.—The Allowance is not authorised in respect of any Annual Premium beyond one-sixth part of the Claimant's Income from every source;—nor has the allowance the effect of giving exemption or abatement where the total Income is thereby reduced below the respective limits.

Particulars required in order to the Allowance of Duty on Premiums on Life Insurances or Contracts for Deferred Annuities		
Name of Insurance Company, or Friendly Society	Amount of Premium claimed as an Abatement from the Profits stated on the first page of this form	When Payable
<i>The X. Y. Z. Assurance Co., London .. .. .</i>	<i>£20 .. .. .</i>	<i>January 1st in each year</i>

## WEAR AND TEAR OF MACHINERY OR PLANT.

Amount claimed as a deduction for diminished value by reason of Wear and Tear, where the Machinery or Plant belongs to the Person or Company carrying on the Concern, or is let to such Person or Company so that the Lessee is bound to maintain and deliver over the same in good condition :—	Amount of Rent paid for the use of the Machinery or Plant where the burden of maintaining and restoring the same falls upon the Lessor, in which case no deduction for diminished value by reason of Wear and Tear is allowable to the Lessee :—
Amount £.....	Amount £.....

Signed.....

NOTICE AND DECLARATION OF CLAIM OF  
~~EXEMPTION OR~~ ABATEMENT.

The Claimant must set forth the sources from whence his Income is derived, with the amount derived from each source. If the House in which the Claimant resides belongs to himself or to his Wife, the annual value thereof must be included in this Statement. The Income of a Married Woman living with her Husband is deemed by the Income Tax Acts to be *his Income* (notwithstanding any Settlement, or the provisions contained in the Married Women's Property Act, 1882). But where the joint Income of a Husband and Wife does not exceed £700; and the Income of the Wife includes profits derived from any profession, employment or vocation chargeable under Schedule D, or from any office or

employment of profit chargeable under Schedule E, a separate claim for exemption or abatement may be made in respect of such profits of the Wife.

If the Income is derived from Land, Tenements, or Hereditaments, state the Parish or Place and County where each Property is situate, with the annual value, and name or names of the occupier, and whether the Claimant is owner and occupier. *If such property be subject to ground rent, mortgage interest, or other annual charge, particulars thereof must be stated in No. 2 below. If there be none, state "None."*

Profits from the occupation of Land are to be estimated at one-third of the full annual value.

If from the Public Funds, State the Name and Amount of each Stock.

If from Profits of a Trade, Profession, Office, or Employment, not shown on the preceding page of the Form, state the nature and particulars thereof.

If from Annuities, Interest of Money, or other property not coming under any of the foregoing heads, state fully the particulars.

The Penalty for fraudulently concealing or untruly declaring the Income is £20 and Treble the duty chargeable.

No. 1.—Particulars of Income from every source whatsoever, whether Taxed or not		£	s	d
1. From the Occupation of Land, as set forth on page 1 of Form ..		372	0	0
2. From Lands, Tenements, Hereditaments, Tithes, or other Property of which I am the owner, viz. :—				
(a.) The Full Annual Value of the Farm .. .. £220 0 0				
(b.) Less Tithe .. .. .. £30 0 0				
(c.) Repairs, $\frac{1}{2}$ th on Farm .. } 25 0 0				
" $\frac{1}{4}$ th on Homestead }				
		55	0	0
3. From Trade, Profession, Office, or Employment, viz. :—		165	0	0
(a.)				
(b.)				
(c.)				
4. From Annuities, Interest, Dividends, or other Income of any de- scription, viz. :—				
(a.) Dividends on 400 5% Preference Shares of £1 each in the A. B. C. Co., Lim. (Tax deducted prior to receipt of Dividends) .. .. .		90	0	0
(b.)				
(c.)				
Total amount of Income from all sources ..		557	0	0
No. 2.—Particulars of any Deductions from Income, such as Ground Rent, Mortgage Interest, or other Annual Charge (if any). If there be none, state "None."				
Nature of the Charge	Name and Residence of Person to whom payable	Annual Amount thereof		
(a.) Ground Rent .. ..		£	s	d
(b.) Mortgage, £800 at $3\frac{1}{2}$ per cent. .. ..	To John Jones, of London ..	28	0	0
(c.) Other Annual Charge..		28	0	0
Total Deductions ..				
Total Amount of Income from all sources after Deductions ..		£529	0	0

I DECLARE that the above Statement contains a full, just, and true account and return of the *Whole of my Income from every source whatsoever*, for the Year 189 , ending the 5th day of April 189 , and I therefore claim the relief to which I am entitled in respect of such Income.

Given under my hand, this                      day of                      189 .

Signed.....

Residence.....

I hereby certify that the Claimant appears to be entitled to Exemption (or an Abatement) of £

.....*Surveyor of Taxes.*

Date.....189 .

.....District.

*Note.*—When the Claim is made by a Lady, she must state after her Signature, whether *Widow* or *Spinster*, as the case may be.

Form No. 40A.—Appeals for the purpose of re-claiming tax overpaid on account of the non-allowance of Abatement.  
*N.B.*—Form No. 40 refers to exemptions, but the wording is similar to this.

**No. 40A.—INCOME TAX.—ABATEMENT CLAIM, I -1**

When the Income exceeds £160, but does not exceed £400 a year, an Abatement of £160 may be claimed.  
 When the Income exceeds £400, but does not exceed £500 a year, an Abatement of £150 may be claimed.  
 When the Income exceeds £500, but does not exceed £600 a year, an Abatement of £120 may be claimed.  
 When the Income exceeds £600, but does not exceed £700 a year, an Abatement of £70 may be claimed.

Registered No. of Claim. \_\_\_\_\_

I declare that the following is a true account of my Income from EVERY SOURCE for the year ending 5th April, 19\_\_\_\_, and I therefore claim to be repaid the Sum of £ \_\_\_\_ " " at the Money Order Office.

\*State FULL Address of Office at.....

CLAIMANT'S SIGNATURE }  
*at full length.*

*N.B.*—A Lady must state, after signature, whether Widow or Spinster.

CLAIMANT'S Full Postal Address. \_\_\_\_\_

Date.....19\_\_

This space MUST NOT be filled up by the Claimant.

A—Allowed for

£ s d to

**FOR INSTRUCTIONS SEE BACK.**

Particulars of my TOTAL INCOME from EVERY SOURCE WHETHER TAXED OR NOT, for the Year from 6th April, 1\_\_\_\_, to 5th of April 1\_\_\_\_.

No. 1.	Income derived from Dividends on Stock inscribed in the books of the Bank of England or from English Government Annuities. (For these no Certificate of Deduction is required).			
	Name or Names (in due order) in which the Stock stands. If in Chancery, the correct Title of the suit (which appears at the head of each Draft issued by the Chancery Pay or Accountant-General's Office) should be given instead. Claimants should take a note of the Title of the Cause when each Draft is received, also whether in English or Irish Funds.	Amount thereof, and if part of larger Sum, state also larger Sum.	Month and Year when Dividend or Annuity due from which deduction made.	Amount of Income Tax paid on, or deducted from each source of Income.
		£ s d		£ s d



No. 2. Income NOT DERIVED from any of the sources referred to in No. 1. (Collectors' Receipts or Certificates required as per Instructions on the back hereof, except for British, Irish, Colonial, or Indian Government Pay or Pension).

Total Amount of Income from all sources and Income Tax thereon. £			
No. 3. Particulars of DEDUCTIONS FROM INCOME, such as GROUND RENT, INTEREST, &c. If there be none state "None."			Annual Amount
			£ s d
(a) Ground Rent	..	..	..
(b) Mortgage £	at	per cent.	..
(c) Other Annual Charge	..	..	..
Total Deductions and Income Tax thereon			£
Total Amount of Income from all sources after Deductions, and of Income Tax paid			£

Having examined the preceding Claim, I certify that the Claimant appears to be entitled to abatement of Income Tax, and to be repaid the sum of £ " " Given under my hand, this day 190 . day Surveyor.

**Form No. 79 D.**—For purposes of Appeal against Assessment under SCHEDULE B on account of the actual Profits ascertained falling short of the Assessment.

**INCOME TAX.**

**Statement of Payments and Receipts in respect of Lands in my occupation for the purposes of Husbandry for the year ending.....190....**

<i>Payments:—</i>		<i>Receipts:—</i>	
£	s d	£	s d
<i>†</i> Value of <i>Stock</i> (live and dead) and <i>produce</i> at beginning of year Live <i>Stock</i> bought .. .. Corn and Seeds bought for seed .. .. Feeding Stuffs, Oil Cake, and Manure bought .. .. Rent (including <i>Tithe</i> ) .. .. The amount of the <i>Schedule A</i> assessment (i.e., the <i>rate</i> assessed, not the duty paid), where the Occupier is also the Owner .. .. Rates, Taxes (excluding Income Tax), and Insurance of Farm <i>Stock</i> .. .. Labour on the Farm .. .. * { Tradesmen's accounts for Goods supplied or work done <i>upon the Farm</i> .. .. Sundries .. .. * Disbursements or Expenses for the maintenance of the Occupier of the Lands or of his family are not to be included. † This is value of <i>Stock</i> and <i>produce</i> only—not including " <i>Hillages</i> ," &c.		Live <i>Stock</i> and Wool sold .. .. Corn and Seeds sold .. .. Dairy Produce and Poultry sold .. .. Other Produce, including Hay, Straw, or Roots where sold .. .. Labour, <i>Stock</i> , implements, &c., hired on .. .. Taking in Sheep or Cattle to graze .. .. † Value of <i>Stock</i> (live and dead) and <i>produce</i> at end of year .. .. Other Receipts, viz.:— Value of Farm Produce used by Household .. .. £	

FORM OF DECLARATION TO BE FILLED UP AND SIGNED.  
*When the Value of the Stock at the beginning and end of the year cannot be shown in the above Account.*

I solemnly and sincerely declare that the amount of live and dead stock and produce (†) upon my holding on § the.....day of.....190....., did not differ materially for the purposes of this account from the average amount in hand on the corresponding day of previous years [† except in the particulars stated below which are true to the best of my knowledge and belief].

§ Name the day to which accounts are made up. † Strike out the words in brackets if the amount is the average one.

PARTICULARS OF DIFFERENCE REFERRED TO ABOVE.

Description of Stock and Produce	Increase	Decrease

Signature.....

Postal Address.....

Date.....190....

## TAX CASES.

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### REVELL v. SCOTT.—32 S.L.R. 585.

Held: That a tenant of a farm who is also lessee under another lease for landlord's sporting rights is assessable under Schedule B upon the aggregate of the two rents reserved.

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No. 241.—HIGH COURT OF JUSTICE (KING'S BENCH  
DIVISION) 10th May 1901.

### SAMUEL BRUCE v. BURTON (Surveyor of Taxes).

Income Tax, Schedule B.—Appeal to General Commissioners of Taxes for relief under Section 27 of the Finance Act, 1897, and Section 23 of the Customs and Inland Revenue Act, 1890.

Held: That the Commissioners have no power to state a case under Section 59 of the Taxes Management Act, 1880, the application for relief not being an appeal against an assessment.

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Case stated for the opinion of the High Court by the Commissioners for the General Purposes of the Income Tax Acts, acting in and for the Division of Moreton (in the county of Gloucester), pursuant to Section 59 of the Taxes Management Act, 1880 (43 & 44 Vict., cap. 19).

(1) The appellant is the owner of, and resides at Norton Hall, Chipping Campden, in the county of Gloucester. He also owns 448 acres of land in the immediate vicinity of, and surrounding and adjoining, the said residence, and occupies the same for the purposes and in the manner hereinafter appearing. Forty acres of the said land are arable, and 408 acres are pasture.

(2) By Section 2 of the Income Tax Act, 1853, income tax is chargeable under Schedule B of that Act for and in respect of the occupation of all lands in the United Kingdom.

(3) By Section 26 of the Finance Act, 1896, when income tax is charged in any year at any rate, there shall be charged, levied, and paid during that year, in respect of all property comprised in Schedule B in the Income Tax Act, 1853, the tax at that rate "for every twenty "shillings of one-third of the annual value of the lands, &c., under "Schedule B in the said Act in respect of the occupation thereof."

(4) The annual value of the said lands, as ascertained under the provisions and rules of the Income Tax Acts, that is to say, the rack rent at which the same are worth to be let by the year, was for the period including the year 1898-99, £919 19s., and for the purposes of Schedule B the appellant was assessed in respect of the said lands at one-third of their said annual value, that is to say, at the sum of £306 13s., and for the purposes of this case it shall be deemed that he was properly so assessed. Income tax was charged for the year 1898-99 at the rate of 8d. in the £, and the amount payable under Schedule B in respect of the said lands was £10 4s. 5d., which sum was paid by the appellant in due course.

(5) The aggregate amount of the income of the appellant was returned by him for the year 1898-99 at £9,532 13s. 7d., and income tax was chargeable thereon to the amount of £329 2s. 7d., which amount was paid by the appellant in due course.

(6) After the payments of income tax hereinbefore mentioned, and within the time limited by law in that behalf, the appellant gave to us, the undersigned Commissioners, notice wherein he claimed repayment of income tax to the extent following:—

(1) The whole amount of £10 4s. 5d., paid by him as aforesaid in respect of Schedule B. This amount is claimed as being repayable under Section 27 of the Finance Act, 1896.

(2) The sum of £75 6s. 6d., being so much of the sum paid by the appellant for income tax upon the aggregate amount of his income as would represent the tax upon income equal to the amount lost by the appellant in the occupation of the aforesaid lands. This amount is claimed as being repayable under Section 23 of the Customs and Inland Revenue Act, 1890.

(7) Particulars of the loss alleged to have been sustained by the appellant in his occupation of the said lands were forwarded in due course by the appellant to the Surveyor of Taxes at Worcester, and a copy thereof, and a copy of the Profit and Loss Account mentioned therein,

are annexed hereto, and may be referred to as part of this case. The loss shown by the said particulars in the occupation of the said lands by the appellant for the year in question is £2,345 7s. 4½d., but this amount was reduced by the appellant to £2,259 17s., in consequence of 50 acres, part of the said lands, which were used for ornamental purposes only, having been, by mistake, included, and also because he had included as outgoings the payment of land tax and chief rents, which may not by law be so included.

(8) The grounds upon which the appellant claims to be entitled to repayment of the said sums of £10 4s. 5d. and £75 6s. 6d. were that he occupied the said lands (other than the said 50 acres used for ornamental purposes) for the purposes of husbandry only, and was therefore entitled to such repayment by virtue respectively of Section 27 of the Finance Act, 1896, and of Section 23 of the Customs and Inland Revenue Act, 1890, inasmuch as there were no profits from the occupation of the said lands, and that there was the said loss of £2,259 17s. from the occupation thereof.

(9) The said claim and application was heard by us at Chipping Campden, on November 1 1899. The appellant did not appear before us at the hearing, but his bailiff attended, and we understood that he was prepared to verify the receipts and payments (subject to the alterations aforesaid) appearing in the said particulars and account. As, however, we accepted the figures as correct, no further evidence was adduced before us.

(10) From our local and personal knowledge of the premises and the appellant, and from a reference to the said particulars and account, we were satisfied that the appellant occupied the said lands mainly as an additional amenity to his residence (Norton Hall) aforesaid, and for the purpose of breeding short-horn cattle by way of recreation, and not as a matter of business or on ordinary commercial principles. We were also satisfied that a very considerable expenditure was incurred by the appellant in the occupation of the said lands by him which he could not reasonably expect to be recouped, and that the alleged loss was sustained solely in respect of breeding and rearing cattle, and that any person occupying and farming the said lands in the same manner as the appellant must thereby incur considerable loss, whereas the occupation of the said lands might, and probably would, yield a profit if the same were farmed in the ordinary way as a matter of business.

It has not been proved or shown to our satisfaction that the appellant was in occupation of the said lands for the purposes of husbandry only within the meaning of the statutes, or that the alleged loss was sustained in respect of the occupation of lands for the purpose of husbandry only, and accordingly, in our opinion, the appellant was not entitled to repayment of any sums paid by him as income tax as aforesaid, and we dismissed his application.

(11) The appellant, being dissatisfied with our decision as being enormous in point of law, required us to state a case for the opinion of the High Court, and we have complied with such requirement.

(12) The question submitted for the opinion of the High Court is whether, assuming we have jurisdiction to state this case, our determination was right in law.

ROBERT F. TOMES,  
THOS. S. SHEKELL,  
E. BONNER SHEKELL,

Commissioners for the General Purposes  
of the Income Tax Acts, acting in and  
for the Division of Moreton, in the  
county of Gloucester.

19th November 1900.

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IN THE HIGH COURT OF JUSTICE.—QUEEN'S BENCH  
DIVISION.

HON. J. CHANNELL, *Judge in Chambers.*

**BROWN v. WALSH.**

*The following report shows the result of an appeal by Mr. T. Brown against an assessment made upon him under Schedule D. The Council of the National Sheep-Breeders' Association thought the matter of sufficient importance to order the report to be printed and sent to the several contributory Breeding Societies; but, of course, it affords no precedent for the settlement of future disputes.*

At a meeting of the General Commissioners of Income Tax for the Division of Clackclose, in the county of Norfolk, held at the Court Hall, in Downham Market, on Friday, the 2nd day of September, 1898, for the purpose of amending the case by stating further facts and particulars.

There were present:—

E. R. PRATT, Esquire, Chairman	}	Commissioners.
The Rev. E. RUSSELL WILFORD		
T. L. REED, Esq.		
THOMAS THORNTON, Esq.		
Mr. A. J. APTHORPE, Inspector of Taxes.		
Mr. J. WALSH, the Respondent.		
Mr. BLOFIELD, Barrister-at-Law (instructed by Messrs. Reed and Wayman), for the Appellant.		

The Clerk to the Commissioners read the case stated herein, filed 3rd December, 1897, and also the Order dated 21st June, 1898.

Mr. T. L. Reed, Commissioner, intimated that although present, he did not propose to take part in the proceedings, on account of his firm acting as Solicitors to the Appellant.

The Respondent objected to Mr. Thomas Thornton, a Commissioner, taking any part in the hearing, on the ground that he was personally interested in the determination (5 and 6 Vict., cap. 35, s. 135, and Taxes Management Act, s. 35) for being a breeder and letter of rams in the same way as the Appellant, but to a lesser extent, he would be assessed under Schedule (D), if the case of *Brown v. Walsh* be upheld in the Queen's Bench Division. The Chairman adopted this view, but Mr Thornton declined to withdraw. Appellant's Counsel objected to the words in the second paragraph of Case in parenthesis, "as is the custom with farmers in Norfolk," and the following addition to this paragraph was accepted:—"A large majority of farmers in Norfolk castrate their lambs as well as cattle, horses, and pigs, Norfolk being a meat producing county."

The Appellant, examined by Counsel, stated all his stock were pure bred; he purchased on an average two rams a year, and occasionally a stallion, bull, and boar; he bought cake and other artificial food, and sold the greater portion of corn grown by him. The value of corn, cake, &c., grown and purchased consumed by his cattle was:—

1894-5	...	...	...	...	£1,245	5	8½
1895-6	...	...	...	...	1,352	10	9
1896-7	...	...	...	...	1,569	4	2

The corn grown and sold in those years was:—

1894-5	...	...	...	...	£2,167	18	11½
1895-6	...	...	...	...	2,575	18	11
1896-7	...	...	...	...	2,922	5	10½



The actual cost of artificial food purchased during the same years was:—

1894-5	...	...	...	...	£730	12	2
1895-6	...	...	...	...	934	3	0
1896-7	...	...	...	...	1,122	0	2

The Appellant was cross-examined by the Respondent with a view to ascertain the exact number of cattle on the farm during a period of twelve months, also the average during three years, and asked for schedules showing the exact nature of the transactions, and the precise mode of carrying on the same, and further for accounts showing receipts and expenses applicable to the sheep breeding, letting, and selling. These accounts the Appellant promised to prepare, and the Chairman held that the hearing must be adjourned for production thereof, as without the same he held the Court was not in a position to ascertain whether the lands were sufficient for the sustenance of the cattle, and consequently the Appellant's liability under Schedule (D). The other Commissioners disagreed with the Chairman. Messrs. C. Sewell Read and J. B. Ellis (large farmers in the county) were examined as to the meaning of the word *dealer* among agriculturists, and both stated that in Norfolk a dealer meant a man who bought cattle, sheep, or pigs with the idea of selling again very shortly, and that a man who bred and sold the animals bred by him would not be considered a dealer. They also both stated that in their opinion the farm was sufficient for the sustenance of the stock kept upon it.

The Respondent indicated that the whole farm of 1,100 acres was not used for the sustenance of the sheep, 860 acres being arable and cultivated in rotation, and that despite the verbal statements to the contrary, the fact whether the land was or was not capable of sustaining the cattle could not be determined until the schedule and accounts promised had been furnished.

Mr. A. J. Apthorpe read extracts from the case of *Allen v. Sharpe*, Ex. R., vol. ii., page , in which Baron Alderson said that the strict meaning of the word "deal" is to distribute, and the assessment on a person as a horse dealer who sold horses on commission but who bought none was held to be good.

The majority of the Commissioners, Messrs. Wilford and Thornton, found:—

- (1) The Appellant was not a dealer.
- (2) That the farm was sufficient for the sustenance of the cattle.
- (3) That the Appellant was not liable to be assessed under Schedule (D).

E. RUSSELL WILFORD.  
THOMAS THORNTON.

The Chairman dissented on the grounds that the schedule and accounts repeatedly asked for had not been produced, and that until their production the Appellant could not be properly examined by the Court or cross-examined by the Respondent, and that there was not sufficient evidence to warrant a further finding.

The Chairman also maintained that Mr. Thornton's adjudication, he being an interested party, nullified the decision, and therefore the case as at first stated stood.

E. R. PRATT,  
*Chairman.*

The letter from the Solicitor to the Inland Revenue accompanying these amendments of the case was as follows :—

SOMERSET HOUSE,  
21st October, 1898.

GENTLEMEN,

*Brown v. Walsh.*—INCOME TAX APPEAL.

Referring to the case stated herein. I send herewith a copy of the amendments as requested. I may add that the matter is now before the Board of Inland Revenue for consideration. I will communicate with you again, however, in due course.

I am, Gentlemen,  
Your obedient Servant,  
F. C. GORE.  
*Solicitor of Inland Revenue.*

That letter I received on the 22nd October, and the following letter was received by my Solicitors on the 27th October, 1898 :—

SOMERSET HOUSE,  
26th October, 1898.

GENTLEMEN,

*Brown v. Walsh.*—INCOME TAX APPEAL.

Referring to my letter of the 21st inst., herein, I have to acquaint you that in the circumstances the Board of Inland Revenue do not propose to take any further steps with regard to this appeal.

I am, Gentlemen,  
Your obedient Servant,  
F. C. GORE.  
*Solicitor of Inland Revenue.*

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1907.

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